

*Report of Audit*  
*on the*  
*Financial Statements*  
*of the*  
*Borough of Watchung*  
*in the*  
*County of Somerset*  
*New Jersey*  
*for the*  
*Year Ended*  
*December 31, 2008*



BOROUGH OF WATCHUNG

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BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON  
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YEAR ENDED DECEMBER 31, 2008 and 2007



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
County of Somerset  
Watchung, New Jersey 07069

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Borough of Watchung, County of Somerset, New Jersey as of and for the years ended December 31, 2008 and 2007, and for the year ended December 31, 2008 as listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the Borough of Watchung, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Watchung, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.



## SUPLEE, CLOONEY & COMPANY


In our opinion, because the Borough of Watchung prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of Watchung as of December 31, 2008 and 2007 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2008.

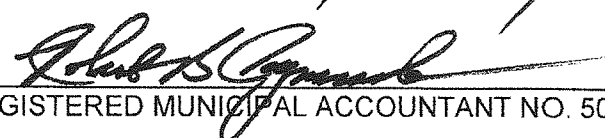
However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and account groups of the Borough of Watchung, County of Somerset, as of December 31, 2008 and 2007, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2008, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2009 on our consideration of the Borough of Watchung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole. The information included in the schedules of expenditures of federal awards and state financial assistance and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

March 6, 2009

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2008</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2007</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 4,827,213.87	\$ 6,204,228.95
Cash-Change Fund	A-6	250.00	250.00
State of New Jersey-Chapter 20 P.L. 1971	A-14	899.79	899.79
		<u>\$ 4,828,363.66</u>	<u>\$ 6,205,378.74</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 276,032.89	\$ 291,780.75
Revenue Accounts Receivable	A-9	15,724.08	15,851.08
Interfunds Receivable	A-24	5,472.00	474.81
	A	<u>\$ 297,228.97</u>	<u>\$ 308,106.64</u>
		<u>\$ 5,125,592.63</u>	<u>\$ 6,513,485.38</u>
Grant Fund:			
Cash	A-4	\$ 231,533.19	\$ 274,209.99
Grant Aid Receivable	A-10	36,831.86	58,674.86
		<u>\$ 268,365.05</u>	<u>\$ 332,884.85</u>
	A	<u>\$ 5,393,957.68</u>	<u>\$ 6,846,370.23</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2008</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2007</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 850,845.01	\$ 1,075,284.02
Accounts Payable	A-7	226,908.84	276,528.50
Prepaid Taxes	A-19	245,714.37	212,726.25
Interfunds Payable	A-24	29,034.16	254,303.34
Reserve For:			
Prepaid Licenses	A-21	595.00	780.00
Due State of New Jersey - DCA	A-20	1,970.00	3,247.00
Due State of New Jersey - Burial Permits	A-23	10.00	410.00
State Tax Appeals	A-13	185,276.96	185,276.96
		<u>\$ 1,540,354.34</u>	<u>\$ 2,008,556.07</u>
Reserve for Receivables and Other Assets	A	297,228.97	308,106.64
Fund Balance	A-1	3,288,009.32	4,196,822.67
		<u>\$ 5,125,592.63</u>	<u>\$ 6,513,485.38</u>
Grant Fund:			
Grants-Appropriated	A-22	\$ 265,547.11	\$ 302,726.33
Grants-Unappropriated	A-12	2,817.94	13,412.50
Accounts Payable	A-25		16,746.02
		<u>\$ 268,365.05</u>	<u>\$ 332,884.85</u>
	A	<u>\$ 5,393,957.68</u>	<u>\$ 6,846,370.23</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

"A-1"

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS  
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

		YEAR ENDED DECEMBER 31, 2008	YEAR ENDED DECEMBER 31, 2007
<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>		
Fund Balance Utilized	A-1:A-2	\$ 2,250,000.00	\$ 2,000,000.00
Miscellaneous Revenue Anticipated	A-2	3,268,111.17	3,417,456.36
Receipts From Delinquent Taxes	A-2	289,410.02	121,072.70
Receipts From Current Taxes	A-2	30,353,849.30	29,621,307.74
Non-Budget Revenue	A-2	159,594.63	106,290.99
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	623,704.37	791,523.96
Interfunds Returned			91,953.51
Accounts Payable Canceled	A-7	41,679.11	13,661.47
<u>TOTAL INCOME</u>		<u>\$ 36,986,348.60</u>	<u>\$ 36,163,266.73</u>
 <u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,677,100.00	\$ 4,385,350.00
Other Expenses	A-3	4,966,595.78	4,817,518.75
Capital Improvements	A-3	207,000.00	265,500.00
Municipal Debt Service	A-3	2,266,763.06	1,753,549.02
Deferred Charges and Statutory Expenditures	A-3	247,500.00	410,000.00
County Taxes	A-15	6,655,249.49	6,982,802.61
Local District School Tax	A-16	10,725,968.00	9,995,841.00
Regional High School Tax	A-17	5,511,228.78	5,614,268.58
Municipal Open Space Tax	A-2:A-8	365,196.97	372,094.19
Interfunds Advanced		4,997.19	
Refund of Prior Year Revenue	A-4	17,562.68	3,373.55
<u>TOTAL EXPENDITURES</u>		<u>\$ 35,645,161.95</u>	<u>\$ 34,600,297.70</u>
Excess in Revenue		\$ 1,341,186.65	\$ 1,562,969.03
Fund Balance, January 1	A	<u>4,196,822.67</u>	<u>4,633,853.64</u>
		\$ 5,538,009.32	\$ 6,196,822.67
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	<u>2,250,000.00</u>	<u>2,000,000.00</u>
Fund Balance, December 31	A	<u>\$ 3,288,009.32</u>	<u>\$ 4,196,822.67</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
	BUDGET	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 2,250,000.00	\$ 2,250,000.00	
Miscellaneous Revenues:				
Alcoholic Beverage Licenses	A-9	\$ 10,360.00	\$ 10,360.00	
Other Licenses	A-2	19,000.00	18,753.50	(246.50)
Fees and Permits:				
Construction Code Official	A-9	185,000.00	137,944.00	(47,056.00)
Other	A-2	175,000.00	141,875.82	(33,124.18)
Municipal Court - Fines and Costs	A-9	223,000.00	258,025.81	35,025.81
Interest and Costs on Taxes	A-9	70,000.00	105,251.66	35,251.66
Interest on Investments and Deposits	A-9	400,000.00	192,416.58	(207,583.42)
Sewer Rents	A-9	1,040,000.00	1,308,712.32	268,712.32
Consolidated Municipal Property Tax Relief Aid	A-9	156,107.00	156,107.00	
Energy Receipts Tax	A-9	796,556.00	796,556.00	
Clean Communities	A-10	8,995.04	8,995.04	
Alcohol Education Rehabilitation	A-10	963.82	963.82	
NJ Body Armor	A-10	3,002.56	3,002.56	
FEMA Firefighters Grant	A-10	48,070.00	48,070.00	
Federal Bulletproof Vest Program	A-10		295.69	295.69
Recycling Tonnage	A-10		10,570.51	10,570.51
Youth Athletic Grant	A-10		15,000.00	15,000.00
Youth Services Grant	A-10		5,000.00	5,000.00
Drunk Driving Enforcement Fund	A-10		2,621.16	2,621.16
Smart Growth Planning Grant	A-10		5,000.00	5,000.00
Uniform Fire Safety Act	A-9	23,500.00	31,314.70	7,814.70
Bulk Pickup Fees	A-9	13,400.00	11,275.00	(2,125.00)
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 3,172,954.42	\$ 3,268,111.17	\$ 56,669.39
Receipts From Delinquent Taxes	A-1	\$ 120,000.00	\$ 289,410.02	\$ 169,410.02
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 7,304,284.00	\$ 7,596,206.06	\$ 291,922.06
<u>Budget Totals</u>		\$ 12,847,238.42	\$ 13,403,727.25	\$ 518,001.47
Non-Budget Revenues	A-1:A-2		159,594.63	159,594.63
		\$ 12,847,238.42	\$ 13,563,321.88	\$ 677,596.10
REF.	A-3	A-3		

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUES</u>		
Allocation of Current Tax Collections:		
Revenue From Collections	A-1:A-8	\$ 30,353,849.30
Allocated To:		
Local District School Taxes		\$ 10,725,968.00
Regional High School Taxes		5,511,228.78
County Taxes		6,655,249.49
Municipal Open Space	A-1:A-4:A-8	<u>365,196.97</u>
		<u>23,257,643.24</u>
Balance for Support of Municipal Budget Appropriations		\$ 7,096,206.06
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>500,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 7,596,206.06</u>
Other Licenses:		
Board of Health	A-9	\$ 15,427.50
Registrar	A-9	81.00
Borough Clerk	A-9	<u>2,465.00</u>
		\$ 17,973.50
Add: Prepaid Applied	A-21	<u>780.00</u>
	A-2	<u>\$ 18,753.50</u>
Fees and Permits-Other:		
Board of Health	A-9	\$ 475.00
Registrar	A-9	16,575.00
Borough Clerk	A-9	866.00
Engineering Department	A-9	45,685.00
Planning Board	A-9	700.00
Board of Adjustment	A-9	6,350.00
Police	A-9	6,240.95
Fire Official	A-9	3,167.00
Recreation	A-9	490.00
Tower Lease	A-9	<u>61,326.87</u>
	A-2	<u>\$ 141,875.82</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	1,045.00
Bid Specs-Clerk		1,850.00
Miscellaneous		7,945.64
Cable TV Franchise Fees		19,452.00
Map Copies		18.50
Police Outside Overtime Administrative Fee		52,940.43
Sale of Surplus Items		7,420.00
Homeland Security-Prior Year		50,000.00
Library Fines & Copies		6,962.69
Property Owners		385.00
Prior Year Refunds		10,178.87
Miscellaneous-Copies		931.50
Tax Collector		465.00
		<hr/>
A-2:A-4	\$	<u>159,594.63</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 73,500.00	\$ 73,500.00	\$ 73,500.00	\$	
Other Expenses	26,650.00	26,650.00	26,637.37	12.63	
Mayor & Council					
Salaries and Wages	25,000.00	25,000.00	25,000.00		
Other Expenses	133,400.00	113,400.00	97,623.22	15,776.78	
Municipal Clerk:					
Salaries and Wages	185,000.00	190,000.00	190,000.00		
Other Expenses	24,950.00	24,950.00	22,707.08	2,242.92	
Elections:					
Other Expenses	2,850.00	2,850.00	1,905.91	944.09	
Financial Administration:					
Salaries and Wages	146,750.00	146,750.00	145,803.00	947.00	
Other Expenses	14,000.00	14,000.00	13,031.73	968.27	
Audit	27,000.00	27,000.00	27,000.00		
Assessment of Taxes:					
Salaries and Wages	60,500.00	60,500.00	54,931.59	5,568.41	
Other Expenses	61,510.00	41,510.00	26,503.39	15,006.61	
Collection of Taxes:					
Salaries and Wages	70,000.00	70,000.00	60,519.26	9,480.74	
Other Expenses	14,735.00	14,735.00	11,422.91	3,312.09	
Legal Services & Costs:					
Salaries and Wages	19,750.00	20,950.00	20,871.21	78.79	
Other Expenses	222,500.00	172,500.00	127,579.56	44,920.44	
Engineering Services & Costs:					
Salaries and Wages	107,000.00	107,000.00	107,000.00		
Other Expenses	138,910.00	143,910.00	142,526.01	1,383.99	
Public Building & Grounds:					
Salaries and Wages	103,000.00	73,000.00	63,305.70	9,694.30	
Other Expenses	76,200.00	76,200.00	62,714.62	13,485.38	
Bulk Clean Up	14,000.00	12,600.00	12,571.49	28.51	
Planning Board:					
Salaries and Wages	12,000.00	12,000.00	10,035.12	1,964.88	
Other Expenses	48,950.00	28,950.00	4,301.66	24,648.34	
Board of Adjustment:					
Salaries and Wages	50,000.00	53,000.00	52,212.51	787.49	
Other Expenses	6,700.00	6,700.00	5,314.15	1,385.85	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	92,000.00	92,000.00	84,124.21	7,875.79	
Uniform Fire Safety Act (P.L. 1983 Ch.383)					
Fire Official:					
Salaries and Wages	28,500.00	28,500.00	28,479.50	20.50	
Other Expenses	7,500.00	7,500.00	6,055.00	1,445.00	
Police:					
Salaries and Wages	2,830,000.00	2,966,700.00	2,931,560.79	35,139.21	
Other Expenses	269,401.00	269,401.00	240,082.80	29,318.20	
First Aid Organization Contributions	39,983.00	39,983.00	30,483.00	9,500.00	
Emergency Management Service:					
Other Expenses	3,100.00	3,100.00	2,209.74	890.26	
Public Defender:					
Salaries and Wages	1,000.00	1,000.00		1,000.00	
Municipal Court:					
Salaries and Wages	173,000.00	176,700.00	176,700.00		
Other Expenses	26,700.00	26,700.00	25,809.04	890.96	
Audit Services	5,000.00	5,000.00	5,000.00		
Streets & Roads:					
Salaries and Wages	394,000.00	394,000.00	394,000.00		
Other Expenses	97,950.00	97,950.00	91,949.85	6,000.15	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	1,200.00				

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>HEALTH AND WELFARE (cont'd)</u>					
Dog Regulation:					
Other Expenses	\$ 6,200.00	\$ 6,200.00	\$ 6,200.00	\$	
Public Assistance:					
Salaries and Wages	6,250.00	6,250.00	6,158.00	92.00	
Other Expenses	1,000.00	1,000.00	431.00	569.00	
Sewer System:					
Salaries and Wages	50,000.00	50,000.00	38,867.39	11,132.61	
Other Expenses	23,550.00	23,550.00	16,244.34	7,305.66	
Condo Act Reimbursement:					
Other Expenses	2,000.00	2,000.00	633.35	1,366.65	
<u>RECREATION AND EDUCATION (R.S.40:12-1)</u>					
Recreation:					
Salaries and Wages	50,000.00	50,000.00	50,000.00		
Other Expenses	46,500.00	46,500.00	46,500.00		
Traffic & Beautification:					
Other Expenses	3,500.00	3,500.00	1,746.65	1,753.35	
Community Service:					
Salaries and Wages	12,000.00	12,000.00	12,000.00		
Other Expenses	100.00	100.00	54.00	46.00	
Environmental Commission:					
Other Expenses	1,900.00	1,900.00	1,000.00	900.00	
Historical Preservation:					
Other Expenses	9,000.00	9,000.00	380.00	8,620.00	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
State Uniform Construction Code:					
Construction Code Official (Building Inspector):					
Salaries and Wages	83,000.00	85,000.00	83,868.44	1,131.56	
Other Expenses	36,500.00	34,500.00	22,386.49	12,113.51	
Plumbing Inspector					
Salaries and Wages	21,500.00	21,500.00	20,518.00	982.00	
Electrical Inspector					
Salaries and Wages	23,000.00	23,000.00	22,896.80	103.20	
Fire Sub-Code Inspector					
Salaries and Wages	23,750.00	23,750.00	23,546.00	204.00	
<u>INSURANCE</u>					
Group Insurance for Employees	1,037,500.00	1,037,500.00	944,436.66	93,063.34	
Workers Compensation	121,000.00	121,000.00	118,860.98	2,139.02	
Other Insurance Premiums	142,500.00	142,500.00	136,566.08	5,933.92	
<u>UNCLASSIFIED</u>					
Electricity	130,000.00	130,000.00	109,081.38	20,918.62	
Telephone	70,000.00	65,000.00	53,718.58	11,281.42	
Water	13,000.00	13,000.00	8,585.41	4,414.59	
Natural Gas	60,000.00	53,000.00	39,546.78	13,453.22	
Fire Hydrant Service	260,000.00	250,000.00	207,500.02	42,499.98	
Gasoline	120,000.00	130,000.00	124,520.30	5,479.70	
Street Lighting	65,000.00	65,000.00	55,620.12	9,379.88	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 8,052,939.00</u>	<u>\$ 8,052,939.00</u>	<u>\$ 7,553,338.19</u>	<u>\$ 499,600.81</u>	
Detail:					
Salaries and Wages	\$ 4,549,700.00	\$ 4,670,100.00	\$ 4,591,773.31	\$ 78,326.69	
Other Expenses	3,503,239.00	3,382,839.00	2,961,564.88	421,274.12	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 190,000.00	\$ 190,000.00	\$ 186,812.59	\$ 3,187.41	
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 190,000.00</u>	<u>\$ 190,000.00</u>	<u>\$ 186,812.59</u>	<u>\$ 3,187.41</u>	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 8,242,939.00</u>	<u>\$ 8,242,939.00</u>	<u>\$ 7,740,150.78</u>	<u>\$ 502,788.22</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Contribution to:					
Police & Firemen's Retirement Fund	\$ 520,976.00	\$ 520,976.00	\$ 293,766.00	\$ 227,210.00	
Public Employee's Retirement System	103,136.00	103,136.00	70,787.40	32,348.60	
<u>RECREATION AND EDUCATION:</u>					
Free Public Library:					
Salaries and Wages	7,000.00	7,000.00	7,000.00		
Other Expenses	29,000.00	29,000.00	24,077.63	4,922.37	
Municipal Alliance Employment Assistance Program:	2,500.00	2,500.00	2,000.00	500.00	
Municipal Alliance Contribution - Match	1,500.00	1,500.00	1,500.00		
Board of Health:					
Other Expenses	89,596.00	89,596.00	89,021.39	574.61	
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	500,000.00	500,000.00	470,945.73	29,054.27	
Somerset County Interlocal Agreements:					
Recycling	52,500.00	52,500.00	39,334.62	13,165.38	
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
Safe & Secure Communities Program:					
State Share					
Local Share	165,000.00	165,000.00	165,000.00		
Alcohol Education Rehab Fund	963.82	963.82	963.82		
Clean Communities Program	8,995.04	8,995.04	8,995.04		
Federal Bulletproof Vest Program (NJSA 40A:4-87 \$295.69)		295.69	295.69		
N.J. Body Armor Replacement Fund	3,002.56	3,002.56	3,002.56		
Recycling Tonnage Grant (NJSA 40A: 4-87 \$10,570.51)		10,570.51	10,570.51		
Drunk Driving Enforcement Fund (NJSA 40A: 4-87 \$2,621.26)		2,621.16	2,621.16		
Smart Growth (NJSA 40A: 4-87 \$5,000.00)		5,000.00	5,000.00		
Youth Athletic Grant (NJSA 40A: 4-87 \$15,000.00)		15,000.00	15,000.00		
Youth Services Grant (NJSA 40A: 4-87 \$5,000.00)		5,000.00	5,000.00		
FEMA:					
Grant	48,070.00	48,070.00	48,070.00		
Local Share	2,530.00	2,530.00	2,530.00		
Matching Funds for Grants	17,500.00	17,500.00		17,500.00	
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 1,552,269.42</u>	<u>\$ 1,590,756.78</u>	<u>\$ 1,265,481.55</u>	<u>\$ 325,275.23</u>	
<u>DETAIL OPERATIONS-EXCLUDED</u>					
<u>FROM "CAPS"</u>					
Salaries and Wages	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$	
Other Expenses	1,545,269.42	1,583,756.78	1,258,481.55	325,275.23	
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$	
Building & Grounds Improvements	25,000.00	25,000.00	9,027.60	15,972.40	
Office Equipment	4,500.00	4,500.00	4,495.84	4.16	
Police Four Wheel Drive Vehicles	27,500.00	27,500.00	20,695.00	6,805.00	
<u>TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>	<u>\$ 207,000.00</u>	<u>\$ 207,000.00</u>	<u>\$ 184,218.44</u>	<u>\$ 22,781.56</u>	

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2008

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 1,190,000.00	\$ 1,190,000.00	\$ 1,189,914.51		\$ 85.49
Interest on Bonds	863,700.00	863,700.00	863,700.00		
Interest on Notes	38,500.00	38,500.00	38,500.00		
Green Trust Loan	69,400.00	69,400.00	49,911.88		19,488.12
Economic Recovery Loan	13,100.00	13,100.00	13,014.18		85.82
NJ UST Remediation Loan	12,830.00	12,830.00	12,830.00		
NJEIT Loan	100,000.00	100,000.00	98,892.49		1,107.51
<u>TOTAL MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"</u>	<u>\$ 2,287,530.00</u>	<u>\$ 2,287,530.00</u>	<u>\$ 2,266,763.06</u>		<u>\$ 20,766.94</u>
<u>DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"</u>					
Deferred Charges to Future Taxation-Unfunded:					
Ordinance 07-11	\$ 57,000.00	\$ 57,000.00	\$ 57,000.00		\$
Ordinance 07-03	500.00	500.00	500.00		
<u>TOTAL DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"</u>	<u>\$ 57,500.00</u>	<u>\$ 57,500.00</u>	<u>\$ 57,500.00</u>		<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 4,104,299.42</u>	<u>\$ 4,142,786.78</u>	<u>\$ 3,773,963.05</u>	<u>\$ 348,056.79</u>	<u>\$ 20,766.94</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	<u>\$ 12,347,238.42</u>	<u>\$ 12,385,725.78</u>	<u>\$ 11,514,113.83</u>	<u>\$ 850,845.01</u>	<u>\$ 20,766.94</u>
	<u>500,000.00</u>	<u>500,000.00</u>	<u>500,000.00</u>		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 12,847,238.42</u>	<u>\$ 12,885,725.78</u>	<u>\$ 12,014,113.83</u>	<u>\$ 850,845.01</u>	<u>\$ 20,766.94</u>
REF.	A-2		A-1	A:A-1	
Amendment by (NJSA 40A:4-87)	A-2	\$ 38,487.36			
Budget	A-3	<u>12,847,238.42</u>			
		<u>\$ 12,885,725.78</u>			
Reserve for Uncollected Taxes	A-2		\$ 500,000.00		
Accounts Payable	A-7		201,562.88		
Reserve for Grants Appropriated	A-22		99,518.78		
Disbursements	A-4		<u>11,367,194.70</u>		
			\$ 12,168,276.36		
Less: Refunds	A-4		<u>154,162.53</u>		
			<u>\$ 12,014,113.83</u>		

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TRUST FUND

"B"

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2008</u>	<u>BALANCE DECEMBER 31, 2007</u>
Assessment Fund:			
Cash	B-2: B-8	\$ 104,039.79	\$ 120,253.52
Assessment Receivable	B-3	918,977.94	1,064,477.69
Prospective Assessments Funded	B-5	50,931.02	50,931.02
Due Current Fund	B-4	29,034.16	46,845.27
Amount To Be Raised By Taxation:			
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 1,106,972.91</u>	<u>\$ 1,286,497.50</u>
Animal Control Fund:			
Cash	B-2	\$ 392.71	\$
Reserve for Animal Control Expenditures - Deficit	B-14		13.05
		<u>\$ 392.71</u>	<u>\$ 13.05</u>
Other Funds:			
Cash	B-2	\$ 4,119,400.38	\$ 3,656,394.55
Due Current Fund	B-18		2,978.52
		<u>\$ 4,119,400.38</u>	<u>\$ 3,659,373.07</u>
		<u>\$ 5,226,766.00</u>	<u>\$ 4,945,883.62</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Serial Bonds	B-16	\$ 135,000.00	\$ 271,000.00
Assessment Loans:			
2000 Trust Loan	B-24	340,000.00	360,000.00
2000 Fund Loan	B-25	171,756.28	195,280.87
Due General Capital Fund	B-17	367,611.97	367,611.97
Fund Balance	B-1	92,604.66	92,604.66
		<u>\$ 1,106,972.91</u>	<u>\$ 1,286,497.50</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 374.86	\$
Due State of NJ - Dog Licenses	B-22	4.80	
Due Current Fund	B-7	13.05	13.05
		<u>\$ 392.71</u>	<u>\$ 13.05</u>
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	\$ 302,133.47	\$ 313,085.20
COAH Deposits	B-12	500,462.30	401,677.50
Police Outside Overtime	B-15	33,668.45	21,003.53
Open Space Trust Deposits	B-10	2,111,639.78	1,702,844.41
State Unemployment Compensation Insurance	B-11	151,317.66	142,946.09
Due Current Fund	B-18	4,853.85	
Recreation Deposits	B-19	55,169.80	44,424.32
Law Enforcement Trust Fund	B-20	2,518.05	2,555.14
Developers Deposits	B-21	940,332.02	1,021,758.38
Accounts Payable	B-9	17,305.00	9,078.50
		<u>\$ 4,119,400.38</u>	<u>\$ 3,659,373.07</u>
		<u>\$ 5,226,766.00</u>	<u>\$ 4,945,883.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



BOROUGH OF WATCHUNG  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>	
Balance, December 31, 2007		
and December 31, 2008	B	\$ <u>92,604.66</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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GENERAL CAPITAL FUND

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2008</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2007</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 2,056,772.41	\$ 1,972,259.50
Deferred Charges to Future Taxation:			
Funded	C-4	20,049,578.00	21,373,427.53
Unfunded	C-5	7,967,147.03	6,322,442.23
Due Current Fund	C-6		204,479.55
State Aid Receivable	C-16	200,000.00	71,250.00
Due Assessment Trust Fund	C-9	367,611.97	367,611.97
		<u>\$ 30,641,109.41</u>	<u>\$ 30,311,470.78</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-17	\$ 4,000,000.00	\$ 1,000,000.00
General Serial Bonds Payable	C-11	18,904,000.00	20,094,000.00
Contracts Payable	C-7	629,732.21	557,386.78
Capital Improvement Fund	C-8	61,372.72	77,822.72
Reserve for Grant Receivable	C-18	200,000.00	
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	500,000.00	530,000.00
Environmental Infrastructure Fund Loans	C-13	310,735.77	345,715.87
Economic Development Authority	C-14	72,528.05	97,297.67
Green Trust Loan Program	C-15	262,314.18	306,413.99
Improvement Authorizations:			
Funded	C-10	2,914,824.14	4,656,117.13
Unfunded	C-10	2,561,458.94	2,612,755.95
Fund Balance	C-1	224,143.40	33,960.67
		<u>\$ 30,641,109.41</u>	<u>\$ 30,311,470.78</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>	
Balance, December 31, 2007	C	\$ 33,960.67
Increased by:		
Premium on Sale of Notes	C-2	232,682.73
		<u>\$ 266,643.40</u>
Decreased by:		
Improvement Authorizations Funded	C-10	42,500.00
Balance, December 31, 2008	C	<u><u>\$ 224,143.40</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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PUBLIC ASSISTANCE TRUST FUND

"E"

BOROUGH OF WATCHUNG  
PUBLIC ASSISTANCE TRUST FUND  
BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2008</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2007</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 6,992.29	\$ 8,652.54
Public Assistance Trust Fund II	E-1	<u>4,146.78</u>	<u>11,246.78</u>
		<u>\$ 11,139.07</u>	<u>\$ 19,899.32</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I		\$ 2,396.72	\$ 2,396.72
Community Emergency Fund		4,595.57	6,255.82
Public Assistance Trust Fund II		<u>4,146.78</u>	<u>11,246.78</u>
		<u>\$ 11,139.07</u>	<u>\$ 19,899.32</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



GENERAL FIXED ASSETS ACCOUNT GROUP

"F"

BOROUGH OF WATCHUNG  
STATEMENT OF GENERAL FIXED ASSETS  
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2008	BALANCE DECEMBER 31, 2007
FIXED ASSETS		
Land	\$ 13,189,000.00	\$ 13,189,000.00
Buildings	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>4,785,911.02</u>	<u>4,562,393.53</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 24,029,891.02</u>	<u>\$ 23,806,373.53</u>
 RESERVE		
Investments in General Fixed Assets	<u>\$ 24,029,891.02</u>	<u>\$ 23,806,373.53</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008 AND 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Watchung is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Watchung include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Watchung, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Watchung do not include the operations of the regional and local boards of education, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Watchung conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Watchung are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipts and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. General expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets -Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage system are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm and updated by the Borough. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund, certificates of deposit, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of Watchung had the following cash and cash equivalents at December 31, 2008:

<u>Fund</u>	<u>Cash in Bank</u>	<u>N.J. ARM</u>	<u>Total</u>
Current Fund	\$4,752,659.45	\$74,804.42	\$4,827,463.87
Grant Fund	231,533.19		231,533.19
Assessment Trust Fund	104,039.79		104,039.79
Animal Control Trust Fund	392.71		392.71
Other Trust Fund	2,865,799.66	1,253,600.72	4,119,400.38
General Capital Fund	1,956,772.41	100,000.00	2,056,772.41
Public Assistance Trust Fund	11,139.07		11,139.07
Total - December 31, 2008	<u>\$9,922,336.28</u>	<u>\$1,428,405.14</u>	<u>\$11,350,741.42</u>



NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2008, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, \$750,000.00 was covered by Federal Depository Insurance and \$9,172,336.28 was covered by NJGUDPA.

Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2008, the Borough had \$1,428,405.14 on deposit with the New Jersey A.R.M. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of the bonds. In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough.

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Year 2006</u>
Issued:			
General:			
Bonds and Notes	\$ 22,904,000.00	\$ 21,094,000.00	\$ 16,991,000.00
Assessment Bonds	135,000.00	271,000.00	407,000.00
Loans Payable	<u>1,657,334.28</u>	<u>1,834,708.40</u>	<u>2,031,825.12</u>
Debt Issued	\$ 24,696,334.28	\$ 23,199,708.40	\$ 19,429,825.12
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>3,967,147.03</u>	<u>5,322,442.23</u>	<u>8,520,846.55</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	<u>\$ 28,663,481.31</u>	<u>\$ 28,522,150.63</u>	<u>\$ 27,950,671.67</u>

SUMMARY OF STATUTORY DEBT CONDITION  
ANNUAL DEBT STATEMENT (AS AMENDED)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.47%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 20,483,604.45	\$ 20,483,604.45	\$
General Debt	<u>28,663,481.31</u>		<u>28,663,481.31</u>
	<u>\$ 49,147,085.76</u>	<u>\$ 20,483,604.45</u>	<u>\$ 28,663,481.31</u>

Net debt \$28,663,481.31 divided by equalized valuation basis per N.J.S.40A:2-2, \$1,946,543,275.67 equals 1.47%.

Borrowing Power Under NJSA 40A:2-6 As Amended

Equalized Valuation Basis - December 31, 2008	<u>\$ 1,946,543,275.67</u>
3 1/2% of Equalized Valuation Basis	\$ 68,129,014.65
Net Debt	<u>28,663,481.31</u>
Remaining Borrowing Power	<u>\$ 39,465,533.34</u>

Equalized Valuation Basis is the average of the equalized Valuation of real estate, including improvements and the assessed valuation of Class II railroad property of the Borough of Watchung for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$1,724,000.00 General Obligation Bonds of 1995 due in annual installments of \$114,000.00 to \$115,000.00 through January 2010 at an interest rate of 5.75%.	\$229,000.00
\$9,500,000.00 General Obligation Bonds of 1999, \$8,141,000.00 of which is for Capital purposes, due in annual installments of \$400,000.00 to \$600,000.00 through May 2014 at an interest rate of 4.00% to 4.40%.	3,541,000.00
\$15,609,000.00 General Obligation Bonds of 2007 due in annual installments of \$475,000.00 to \$950,000.00 through August 2027 at an interest rate of 4.00% to 4.375%.	15,134,000.00
	<u>\$18,904,000.00</u>

Assessment Serial Bonds:

\$9,500,000.00 General Obligation Bonds of 1999, \$1,359,000.00 of which is for Assessment purposes, due in annual installments of \$135,000.00 to \$136,000.00 through May 2009 at an interest rate of 4.00% to 4.40%.	<u>\$135,000.00</u>
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Economic Development Loans:

\$128,300.00 Underground Storage Tank Remediation Loan due in annual installments of \$12,830.00 through July 2009 at an interest rate of 0.00%.	\$12,830.00
\$267,330.00 Public Works Facility Loan due in annual installments of \$11,939.57 to \$34,086.13 through August 2013 at an interest rate of 1.50%.	59,698.05
	<u>\$72,528.05</u>

Green Trust Loans:

\$500,000.00 Watchung Lake Development Loan due in annual installments of \$10,227.80 to \$15,077.03 through March 2018 at an interest rate of 2.00%.	262,314.18
	<u>\$262,314.18</u>

New Jersey Environmental Infrastructure Loans:

\$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of \$30,000.00 to \$75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%.	\$670,000.00
\$872,646.00 Infrastructure Fund Loan of 2000 due in annual installments of \$10,811.19 to \$45,804.39 through August 2016 at an interest rate of 0.00%.	335,921.73
\$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of \$10,000.00 to \$15,000.00 through February 2021 at an interest rate of 4.00% 5.00%.	170,000.00
\$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of \$10,026.15 to \$13,495.28 through February 2021 at an interest rate of 0.00%.	146,570.32
	<u>\$1,322,492.05</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue &amp; Maturity Dates</u>	<u>Amount</u>
General Capital	2.50%	8/15/08-3/2/09	\$4,000,000.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2008 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$3,967,147.03</u>
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>Assessment</u>	<u>Principal</u>	<u>General</u>	<u>Interest</u>	<u>Total</u>
	<u>Principal</u>	<u>Principal</u>			
2009	\$ 135,000.00	\$ 1,190,000.00	\$ 806,007.75	\$	2,131,007.75
2010		1,189,000.00	751,387.75		1,940,387.75
2011		1,075,000.00	703,010.25		1,778,010.25
2012		1,075,000.00	656,647.75		1,731,647.75
2013		1,100,000.00	610,135.25		1,710,135.25
2014		1,076,000.00	563,783.25		1,639,783.25
2015		900,000.00	529,143.75		1,429,143.75
2016		900,000.00	490,893.75		1,390,893.75
2017		900,000.00	452,643.75		1,352,643.75
2018		950,000.00	414,393.75		1,364,393.75
2019		950,000.00	374,018.75		1,324,018.75
2020		950,000.00	332,456.25		1,282,456.25
2021		950,000.00	290,893.75		1,240,893.75
2022		950,000.00	249,331.25		1,199,331.25
2023		950,000.00	207,768.75		1,157,768.75
2024		950,000.00	166,206.25		1,116,206.25
2025		950,000.00	124,643.75		1,074,643.75
2026		950,000.00	83,081.25		1,033,081.25
2027		949,000.00	41,518.75		990,518.75
	<u>\$ 135,000.00</u>	<u>\$ 18,904,000.00</u>	<u>\$ 7,847,965.75</u>	<u>\$</u>	<u>26,886,965.75</u>

Schedule of Annual Debt Service for Principal and Interest for Economic Development Authority  
Loan Payable - New Public Works Facility

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 11,939.62	\$ 895.48	\$ 12,835.10
2010	11,939.62	716.38	12,656.00
2011	11,939.62	537.28	12,476.90
2012	11,939.62	358.18	12,297.80
2013	11,939.57	179.10	12,118.67
	<u>\$ 59,698.05</u>	<u>\$ 2,686.42</u>	<u>\$ 62,384.47</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loan  
Payable - Watchung Lake Development

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2009	\$	25,335.36	\$	5,120.24	\$	30,455.60
2010		25,844.60		4,611.00		30,455.60
2011		26,364.08		4,091.52		30,455.60
2012		26,894.00		3,561.60		30,455.60
2013		27,434.57		3,021.03		30,455.60
2014		27,986.00		2,469.60		30,455.60
2015		28,548.52		1,907.08		30,455.60
2016		29,122.35		1,333.25		30,455.60
2017		29,707.70		747.90		30,455.60
2018		15,077.00		150.77		15,227.77
	\$	<u>262,314.18</u>	\$	<u>27,013.99</u>	\$	<u>289,328.17</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental  
Infrastructure Loan Payable - 2000 Infrastructure Trust Loan

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 20,000.00	\$ 16,918.76	\$ 20,000.00	\$ 17,400.00	\$ 74,318.76
2010	20,000.00	15,918.76	25,000.00	16,400.00	77,318.76
2011	20,000.00	14,918.76	25,000.00	15,150.00	75,068.76
2012	25,000.00	13,918.76	25,000.00	13,900.00	77,818.76
2013	25,000.00	12,668.76	25,000.00	12,650.00	75,318.76
2014	25,000.00	11,418.76	30,000.00	11,400.00	77,818.76
2015	25,000.00	10,168.76	30,000.00	9,900.00	75,068.76
2016	30,000.00	8,887.50	30,000.00	8,362.50	77,250.00
2017	30,000.00	7,350.00	30,000.00	6,825.00	74,175.00
2018	35,000.00	5,775.00	30,000.00	5,250.00	76,025.00
2019	35,000.00	3,937.50	35,000.00	3,675.00	77,612.50
2020	40,000.00	2,100.00	35,000.00	1,837.50	78,937.50
	\$ <u>330,000.00</u>	\$ <u>123,981.32</u>	\$ <u>340,000.00</u>	\$ <u>122,750.00</u>	\$ <u>916,731.32</u>

Schedule of Annual Debt Service for Principal for Economic Development Authority  
Loan Payable - Underground Storage Tanks

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
2009	\$ 12,830.00	\$ 12,830.00
	\$ <u>12,830.00</u>	\$ <u>12,830.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal for Environmental  
Infrastructure Loan Payable - 2000 Infrastructure Fund Loan

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
		<u>Principal</u>		<u>Principal</u>	
2009	\$	22,436.69	\$	22,911.97	\$ 45,348.66
2010		21,828.96		25,362.45	47,191.41
2011		21,221.22		24,596.67	45,817.89
2012		23,652.16		23,830.89	47,483.05
2013		22,892.49		23,065.11	45,957.60
2014		22,132.82		25,362.44	47,495.26
2015		21,373.16		24,443.51	45,816.67
2016		8,627.95		2,183.24	10,811.19
	\$	<u>164,165.45</u>	\$	<u>171,756.28</u>	\$ <u>335,921.73</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental  
Infrastructure Loan Payable - 2001 Infrastructure Trust Loan

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2009	\$	10,000.00	\$	8,250.00	\$	18,250.00
2010		10,000.00		7,750.00		17,750.00
2011		10,000.00		7,250.00		17,250.00
2012		10,000.00		6,750.00		16,750.00
2013		10,000.00		6,250.00		16,250.00
2014		15,000.00		5,625.00		20,625.00
2015		15,000.00		4,875.00		19,875.00
2016		15,000.00		4,125.00		19,125.00
2017		15,000.00		3,375.00		18,375.00
2018		15,000.00		2,625.00		17,625.00
2019		15,000.00		1,875.00		16,875.00
2020		15,000.00		1,125.00		16,125.00
2021		15,000.00		375.00		15,375.00
	\$	<u>170,000.00</u>	\$	<u>60,250.00</u>	\$	<u>230,250.00</u>

Schedule of Annual Debt Service for Principal for Environmental  
Infrastructure Loan Payable - 2001 Infrastructure Fund Loan

<u>Calendar Year</u>		<u>Principal</u>		<u>Total</u>
2009	\$	11,617.40	\$	11,617.40
2010		11,299.11		11,299.11
2011		10,980.82		10,980.82
2012		10,662.54		10,662.54
2013		10,344.26		10,344.26
2014		13,129.25		13,129.25
2015		12,651.82		12,651.82
2016		12,174.39		12,174.39
2017		11,696.96		11,696.96
2018		11,219.54		11,219.54
2019		10,742.11		10,742.11
2020		10,264.68		10,264.68
2021		9,787.44		9,787.44
	\$	<u>146,570.32</u>	\$	<u>146,570.32</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2008 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2009 was not yet determined as of the date of this audit.

NOTE 5: PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Local and Regional High School Districts. The collections and remittance of county and school taxes are accounted for in the current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes collected in advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	Balance December 31, 2008	Balance December 31, 2007
Prepaid Taxes	\$ <u>245,714.37</u>	\$ <u>212,726.25</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$364,553.40 for 2008 and \$182,066.20 for 2007.

Borough employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.



NOTE 7: COMPENSATED ABSENCES

The Borough has not permitted non-police department employees to carry over unused vacation days. Under special circumstances, vacation time may be carried over with mayor and Council approval. After a minimum of five years of service with the Borough, an employee, upon separation from service with the Borough, will receive pay based upon unused accumulated sick leave, up to a maximum of 120 days of such credit. Payment shall be made in accordance with the following schedule:

Upon retirement: 50% of the employee's then current rate of pay

Other separation: 25% of the employee's then current rate of pay

Police Department employees may not carry over vacation unless approved by the Mayor and Council. Sick days may be accumulated up to 360 days per employee with a maximum of 60 days to be reimbursed to the employee at retirement.

The Borough has estimated the liability for unpaid sick pay to be \$547,822.09 and \$516,132.28 at December 31, 2008 and 2007, respectively. In accordance with New Jersey accounting principles and practices these amounts are not reported as an expenditure or liability in the accompanying financial statements.

NOTE 8: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the Plan are held by an independent administrator, the Equitable Life Assurance Society of the United States (the "Equitable").

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2008. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has a reserve balance in the amount of \$185,276.96 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2008 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2008, the Borough does not believe that any material liabilities will result from such audits.

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

NOTE 12: RISK MANAGEMENT (CONTINUED)

<u>Year</u>		<u>Interest on Deposits</u>		<u>Employee Contributions</u>		<u>Amount Reimbursed</u>		<u>Ending Balance</u>
2008	\$	3,070.38	\$	5,951.94	\$	650.75	\$	151,317.66
2007		3,352.86		5,993.74		1,222.52		142,946.09
2006		3,297.97		5,551.69		1,688.04		134,822.01

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2008:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 5,472.00	\$ 29,034.16
Assessment Trust Fund	29,034.16	367,611.97
Animal Control Trust Fund		13.05
Trust Other Fund		4,853.85
General Capital Fund	367,611.97	
Payroll		605.10
	<u>\$ 402,118.13</u>	<u>\$ 402,118.13</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

Commencing with the fiscal year ending December 31, 2008 the Borough is required to implement the note disclosure provision of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement which was adopted during 2004 by the Governmental Accounting Standard Board (GASB) requires the Borough to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the Borough has contractually agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription or dental insurance coverage. The Borough has not calculated its OPEB obligations and the impact on the Borough's financial position or results of operation cannot be readily determined at this time; however, under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets.

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BOROUGH OF WATCHUNG  
SUPPLEMENTARY SCHEDULES – ALL FUNDS  
YEAR ENDED DECEMBER 31, 2008

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2007	A	\$ 6,204,228.95	\$ 274,209.99
Increased by Receipts:			
Taxes Receivable	A-8	\$ 30,378,283.07	\$
Tax Overpayments	A-18	17,621.01	
Prepaid Taxes	A-19	245,714.37	
Miscellaneous Revenue Not Anticipated	A-2	159,594.63	
Revenue Accounts Receivable	A-9	3,167,812.39	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	52,250.00	
Appropriation Refunds	A-3	154,162.53	
Interfunds Returned	A-24	147,076.46	
Prepaid Licenses	A-21	595.00	
Grants Receivable	A-10		107,949.28
Grants - Appropriated	A-22		167,530.00
Grants - Unappropriated	A-12		2,817.94
Due To State of New Jersey - Burial Permits	A-23	90.00	
Due State of New Jersey - DCA	A-20	9,384.00	
		<u>34,332,983.46</u>	<u>278,297.22</u>
		\$ 40,537,212.41	\$ 552,507.21
Decreased by Disbursements:			
2008 Appropriations	A-3	\$ 11,367,194.70	\$
2007 Appropriation Reserves	A-11	656,450.45	
Local District School Tax	A-16	10,725,968.00	
County Taxes	A-15	6,655,249.49	
Regional High School Tax	A-17	5,511,228.78	
Refund of Tax Overpayments	A-18	17,621.01	
Municipal Open Space Taxes	A-2	365,196.97	
Accounts Payable	A-7	4,632.63	
Due State of New Jersey - DCA	A-20	10,661.00	
Petty Cash Funds	A-5	400.00	
Due To State of New Jersey - Burial Permits	A-23	490.00	
Grants Appropriated	A-22		320,974.02
Refund of Prior Year Revenue	A-1	17,562.68	
Interfunds Advanced	A-24	377,342.83	
		<u>35,709,998.54</u>	<u>320,974.02</u>
Balance, December 31, 2008	A	\$ <u>4,827,213.87</u>	\$ <u>231,533.19</u>

"A-5"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PETTY CASH FUNDS

	<u>ADVANCED</u>	<u>REIMBURSED</u>
Police	\$ 300.00	\$ 300.00
Clerk	<u>100.00</u>	<u>100.00</u>
	\$ <u>400.00</u>	\$ <u>400.00</u>
<u>REF.</u>	A-4	A-4

"A-6"

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2007 AND 2008</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
Clerk	<u>50.00</u>
	\$ <u>250.00</u>
<u>REF.</u>	A

"A-7"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2007	A		\$ 276,528.50
Increased by:			
2008 Appropriations	A-3	\$ 201,562.88	
2007 Appropriation Reserves	A-11	<u>2,562.18</u>	
			204,125.06
			<u>\$ 480,653.56</u>
Decreased by:			
Canceled	A-1	\$ 41,679.11	
Transfer to 2007 Appropriation Reserves	A-11	207,432.98	
Disbursements	A-4	<u>4,632.63</u>	
			<u>253,744.72</u>
Balance, December 31, 2008	A		<u>\$ 226,908.84</u>



BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE DECEMBER 31, 2007</u>	<u>2008 LEVY</u>	<u>2007</u>	<u>COLLECTIONS 2008</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2008</u>
2007	\$ 291,780.75	\$	\$	\$ 289,410.02	\$ 2,370.73	\$
2008		30,676,525.97	212,726.25	30,141,123.05	46,643.78	276,032.89
	<u>\$ 291,780.75</u>	<u>\$ 30,676,525.97</u>	<u>\$ 212,726.25</u>	<u>\$ 30,430,533.07</u>	<u>\$ 49,014.51</u>	<u>\$ 276,032.89</u>
<u>REF.</u>	A		A-2-A-19	A-2		A

REF.

Collector	A-4	\$ 30,378,283.07
Due From State of New Jersey Per Chapter 20, P.L. 1971	A-14	52,250.00
		<u>\$ 30,430,533.07</u>

ANALYSIS OF 2008 PROPERTY TAX LEVY

<b>TAX YIELD</b>			
General Purpose Tax	\$	30,544,101.57	
Added Taxes (54:4-63.1 et seq.)		<u>132,424.40</u>	
			<u>\$ 30,676,525.97</u>
<b>TAX LEVY</b>			
Local District School Tax (Abstract)	A-16		10,725,968.00
Regional High School Tax (Abstract)	A-17		5,511,228.78
County Taxes:			
County Tax	A-15	5,318,101.28	
County Library Tax	A-15	719,685.52	
County Open Space Preservation Tax	A-15	588,606.72	
County Added	A-15	<u>28,855.97</u>	
			6,655,249.49
Local Tax for Municipal Purposes (Abstract)	A-2	7,304,284.00	
Municipal Open Space Tax	A-1-A-2	365,196.97	
Add: Additional Tax Levied		<u>114,598.73</u>	
Local Tax for Municipal Purposes Levied			<u>7,784,079.70</u>
			<u>\$ 30,676,525.97</u>

"A-9"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2007</u>	<u>ACCRUED IN 2008</u>	<u>COLLECTED BY TREASURER</u>	<u>BALANCE DECEMBER 31, 2008</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 10,360.00	\$ 10,360.00	\$
Other Licenses	A-2		2,465.00	2,465.00	
Fees and Permits	A-2		866.00	866.00	
Uniform Construction Code Official	A-2		137,944.00	137,944.00	
Recreation: Fees and Permits	A-2		490.00	490.00	
Planning Board: Fees and Permits	A-2		700.00	700.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		81.00	81.00	
Fees and Permits	A-2		16,575.00	16,575.00	
Board of Health:					
Other Licenses	A-2		15,427.50	15,427.50	
Fees and Permits	A-2		475.00	475.00	
Board of Adjustment: Fees and Permits	A-2		6,350.00	6,350.00	
Tower Lease: Fees and Permits	A-2		61,326.87	61,326.87	
Police: Fees and Permits	A-2		6,240.95	6,240.95	
Engineering: Fees and Permits	A-2		45,685.00	45,685.00	
Fire Official: Fees and Permits	A-2		3,167.00	3,167.00	
Municipal Court: Fines and Costs	A-2	15,851.08	257,898.81	258,025.81	15,724.08
Interest and Costs on Taxes	A-2		105,251.66	105,251.66	
Interest on Investments and Deposits	A-2		192,416.58	192,416.58	
Sewer Rents	A-2		1,308,712.32	1,308,712.32	
Consolidated Municipal Property Tax Relief Aid	A-2		156,107.00	156,107.00	
Energy Receipts Tax	A-2		796,556.00	796,556.00	
Uniform Fire Safety Act	A-2		31,314.70	31,314.70	
Bulk Pickup Fees	A-2		11,275.00	11,275.00	
		<u>\$ 15,851.08</u>	<u>\$ 3,167,685.39</u>	<u>\$ 3,167,812.39</u>	<u>\$ 15,724.08</u>
	<u>REF.</u>	<u>A</u>		<u>A-4</u>	<u>A</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2007	ACCRUED 2008	RECEIPTS	UNAPPROPRIATED RESERVE APPLIED	BALANCE DECEMBER 31, 2008
Municipal Stormwater Regulation Program	\$ 2,117.00	\$	\$	\$	\$ 2,117.00
S.C. Youth Athletic Grant	26,557.86	15,000.00	15,000.00		26,557.86
Drunk Driving Enforcement Fund		2,621.16		2,621.16	
Clean Communities Program		8,995.04	8,995.04		
Safe & Secure	30,000.00		30,000.00		
NJ Body Armor		3,002.56		3,002.56	
Recycling Tonnage Grant		10,570.51	7,781.73	2,788.78	
Federal Bulletproof Vest		295.69	295.69		
Alcohol Education Rehabilitation		963.82	963.82		
Smart Growth Planning		5,000.00		5,000.00	
FEMA Firefighters Grant		48,070.00	44,913.00		3,157.00
S.C. Youth Services Grant		5,000.00			5,000.00
	<u>\$ 58,674.86</u>	<u>\$ 99,518.78</u>	<u>\$ 107,949.28</u>	<u>\$ 13,412.50</u>	<u>\$ 36,831.86</u>
REF.	A	A-2	A-4	A-12	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2007 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2007	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>					
Salaries and Wages:					
Mayor and Council	\$ 1,000.00	\$	\$ 1,000.00	\$	\$ 1,000.00
Borough Clerk	1,754.11		1,754.11		1,754.11
Financial Administration	667.00		667.00		667.00
Collection of Taxes	245.70		245.70		245.70
Legal Services and Costs	1,452.00		1,452.00		1,452.00
Engineering Services	3,430.71		3,430.71		3,430.71
Public Building & Grounds	5,064.79		5,064.79		5,064.79
Planning Board	3,470.48		3,470.48		3,470.48
Board of Adjustment	263.99		263.99		263.99
Fire Official	1,082.00		1,082.00		1,082.00
Police	4,652.60		4,652.60		4,652.60
Streets and Roads	6,939.28		6,939.28		6,939.28
Municipal Court	2,283.48		2,283.48		2,283.48
Board of Health	301.20		301.20		301.20
Public Assistance	79.00		79.00		79.00
Board of Recreation Commissioners	281.76		281.76		281.76
Community Services	2,913.59		2,913.59		2,913.59
Construction Official	1,411.77		1,411.77		1,411.77
Plumbing Inspector	1,531.00		1,531.00		1,531.00
Electrical Inspector	1,281.00		1,281.00		1,281.00
Fire Subcode Inspector	321.00		321.00		321.00
Public Defender	278.66	300.00	578.66	300.00	278.66
Other Expenses:					
Administrative & Executive	1,801.67	82.33	1,884.00	147.66	1,736.34
Mayor & Council	44,469.22	40,977.33	85,446.55	29,877.33	55,569.22
Clerk	3,457.47	478.70	3,936.17	355.54	3,580.63
Elections	1,402.98		1,402.98		1,402.98
Financial Administration	512.21		512.21	110.52	401.69
Assessment of Taxes	41,519.73	315.00	41,834.73	3,080.18	38,754.55
Collection of Taxes	4,102.86		4,102.86		4,102.86
Legal Services and Costs	85,895.46	350.00	86,245.46	22,963.67	63,281.79
Engineering Services and Costs	59,213.39	5,634.25	64,847.64	11,556.75	53,290.89
Public Buildings and Grounds	4,788.46	1,634.50	6,422.96	3,157.33	3,265.63
Bulk Clean Up	2,163.93		2,163.93		2,163.93
Planning Board	44,795.24	25.00	44,820.24	102.50	44,717.74
Board of Adjustments	5,887.31	47.25	5,934.56	647.75	5,286.81
Fire	4,612.75	16,790.95	21,403.70	21,081.25	322.45
Fire Official	2,516.24	35.00	2,551.24	81.26	2,469.98
Police	60,322.31	111,234.45	171,556.76	171,153.57	403.19
First Aid Organization Contribution	3,380.00		3,380.00		3,380.00
Emergency Management Services	3,100.00		3,100.00	416.67	2,683.33
Municipal Court	125.92	1,606.72	1,732.64	619.66	1,112.98
Streets & Roads	15,633.88	10,354.78	25,988.66	11,790.02	14,198.64
Dog Regulation		2,658.00	2,658.00	2,658.00	
Public Assistance	569.00		569.00		569.00
Sewer System	17,901.89		17,901.89	216.26	17,685.63
Board of Recreation Commissioners	3,390.73	910.00	4,300.73	2,126.68	2,174.05

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2007 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2007	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS" continued</u>					
Traffic & Beautification	\$ 2,490.16	\$ 35.00	\$ 2,525.16	\$ 756.50	\$ 1,768.66
Community Service	350.00	143.01	493.01	21.01	472.00
Environmental Commission	1,270.00	35.00	1,305.00	101.50	1,203.50
Historical Preservation Committee	9,974.53		9,974.53		9,974.53
Construction Code Official	10,885.61		10,885.61	3,090.43	7,795.18
Electricity	32,998.23		32,998.23	8,518.91	24,479.32
Natural Gas	29,016.67		29,016.67	9,122.69	19,893.98
Water	1,260.08		1,260.08	1,260.08	
Telephone	10,345.51		10,345.51	4,297.02	6,048.49
Fire Hydrant Service	44,717.74		44,717.74	37,794.72	6,923.02
Gasoline	11,619.25		11,619.25	7,307.44	4,311.81
Street Lighting	8,671.76		8,671.76	4,787.52	3,884.24
Public Employees Retirement System	32,347.80		32,347.80	32,347.80	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAPS"</u>					
Contribution To:					
Social Security System (O.A.S.I.)	20,249.52		20,249.52		20,249.52
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Free Public Library	4,045.50	145.85	4,191.35	3,127.62	1,063.73
Municipal Alliance Employee Assistance Program	500.00		500.00	288.26	211.74
Board of Health	1,004.19	288.26	1,292.45		1,292.45
Group Insurance for Employees	7,659.35	561.00	8,220.35		8,220.35
Worker's Compensation	8,198.01		8,198.01		8,198.01
Other Insurance Premiums	38,580.47		38,580.47		38,580.47
Police & Firemen's Retirement System of NJ	227,210.00		227,210.00	227,210.00	
Sewer Interlocal Agreements	70,807.15		70,807.15		70,807.15
Somerset County Interlocal Agreements - Recycling		12,790.60	12,790.60	12,790.60	
Matching Funds for Grants	25,000.00		25,000.00		25,000.00
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Building & Grounds Improvements	23,747.93		23,747.93	23,747.93	
Office Equipment	3.55		3.55		3.55
Police Four Wheel Drive Vehicles	63.24		63.24		63.24
<u>TOTAL</u>	<u>\$ 1,075,284.02</u>	<u>\$ 207,432.98</u>	<u>\$ 1,282,717.00</u>	<u>\$ 659,012.63</u>	<u>\$ 623,704.37</u>

	REF.	A	A-7	A-1
Disbursements	A-4			\$ 656,450.45
Accounts Payable	A-7			2,562.18
				<u>\$ 659,012.63</u>

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2007	A	\$ 13,412.50
Increased by:		
Receipts	A-4	2,817.94
		\$ <u>16,230.44</u>
Decreased by:		
Applied to Grants Receivable	A-10	<u>13,412.50</u>
Balance, December 31, 2008	A	\$ <u><u>2,817.94</u></u>

ANALYSIS OF BALANCE:

New Jersey Body Armor	\$ <u>2,817.94</u>
	\$ <u><u>2,817.94</u></u>

"A-13"

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2007 and December 31, 2008	A	\$ <u><u>185,276.96</u></u>
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BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE FROM STATE OF NEW JERSEY  
PER CHAPTER 20, P.L. 1971

	<u>REF.</u>	
Balance, December 31, 2007	A	\$ 899.79
Increased by:		
Deductions Per Tax Billings		<u>52,250.00</u>
		\$ <u>53,149.79</u>
Decreased by:		
Receipts	A-4	<u>52,250.00</u>
Balance, December 31, 2008	A	\$ <u><u>899.79</u></u>

REVENUE REALIZED:

Deductions Per Tax Billings:  
Senior Citizens  
Veterans

	\$ 4,500.00	
	<u>47,750.00</u>	
A-8		\$ <u><u>52,250.00</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

REF.

2008 Tax Levy:			
County Tax	A-8	\$ 5,318,101.28	
County Library Tax	A-8	719,685.52	
County Open Space Preservation Tax	A-8	588,606.72	
County Added	A-8	<u>28,855.97</u>	
	A-1		\$ 6,655,249.49
Decreased by:			
Payments	A-4		\$ <u>6,655,249.49</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:			
2008 Tax Levy - Calendar Year	A-1:A-8	\$ 10,725,968.00	
Decreased by:			
Payments	A-4	\$ <u>10,725,968.00</u>	

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:			
2008 Tax Levy - Calendar Year	A-1:A-8	\$ 5,511,228.78	
Decreased by:			
Payments	A-4	\$ <u>5,511,228.78</u>	



"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>	
Increased by:		
Overpayments in 2008 - Receipts	A-4	\$ 17,621.01
Decreased by:		
Refunds	A-4	\$ <u>17,621.01</u>

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2007 (2008 Taxes)	A	\$ 212,726.25
Increased by:		
Collections of 2009 Taxes	A-4	245,714.37
		\$ <u>458,440.62</u>
Decreased by:		
Applied to Taxes Receivable	A-8	<u>212,726.25</u>
Balance, December 31, 2008 (2009 Taxes)	A	\$ <u>245,714.37</u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2007	A	\$ 3,247.00
Increased by:		
Receipts	A-4	9,384.00
		<u>\$ 12,631.00</u>
Decreased by:		
Disbursements	A-4	<u>10,661.00</u>
Balance, December 31, 2008	A	<u>\$ 1,970.00</u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2007	A	\$ 780.00
Increased by:		
Receipts	A-4	595.00
		<u>\$ 1,375.00</u>
Decreased by:		
Applied To Revenue	A-2	<u>780.00</u>
Balance, December 31, 2008	A	<u>\$ 595.00</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2007	TRANSFERRED FROM 2008 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2008
Safe and Secure Communities	\$ 1,250.00	\$	\$ 1,250.00	\$
Match	203,318.11	165,000.00	218,082.07	150,236.04
Somerset Cty Planning Incentive Grant & Match	32,274.30			32,274.30
Cross Acceptance Program	2,000.00			2,000.00
Clean Communities Program	1,405.03	8,995.04	9,105.10	1,294.97
Green Communities Program & Match	3,000.00			3,000.00
Special Legislative	6,375.00			6,375.00
Body Armor Replacement Fund	6,542.67	3,002.56	721.40	8,823.83
Federal Bulletproof Vest Fund	2,270.15	295.69	721.40	1,844.44
S.C. Youth Athletic & Recreation Program	4,852.05	15,000.00	10,498.00	9,354.05
S.C. Youth Services Program	11,047.00	5,000.00	10,985.75	5,061.25
Alcohol Education Rehabilitation Fund	1,089.23	963.82		2,053.05
Drunk Driving Enforcement Fund	6,933.05	2,621.16	1,013.89	8,540.32
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	6,935.69	10,570.51		17,506.20
Municipal Alliance Contribution - Match	12,842.25		2,949.99	9,892.26
FEMA Firefighters Grant		48,070.00	46,370.40	1,699.60
Match		2,530.00	2,530.00	
Smart Growth Planning		5,000.00		5,000.00
	<u>\$ 302,726.33</u>	<u>\$ 267,048.78</u>	<u>\$ 304,228.00</u>	<u>\$ 265,547.11</u>
REF.	A			A
Grants	A-3	\$ 99,518.78		
Matching Funds for Grants	A-4	<u>167,530.00</u>		
		<u>\$ 267,048.78</u>		
Disbursements	A-4		\$ 320,974.02	
Prior Year Accounts Payable	A-25		<u>(16,746.02)</u>	
			<u>\$ 304,228.00</u>	

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - BURIAL PERMITS

	<u>REF.</u>	
Balance, December 31, 2007	A	\$ 410.00
Increased by:		
Receipts	A-4	90.00
		<u>\$ 500.00</u>
Decreased by:		
Disbursements	A-4	<u>490.00</u>
Balance, December 31, 2008	A	<u><u>\$ 10.00</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>ASSESSMENT TRUST FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>OTHER TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>PAYROLL</u>
Balance, December 31, 2007:							
Interfunds Receivable	A	\$ 474.81	\$	13.05	\$	\$	461.76
Interfunds Payable	A	254,303.34	46,845.27		2,978.52	204,479.55	
Receipts	A-4	147,076.46	145,499.75		1,576.71		
Disbursements	A-4	377,342.83	163,310.86		9,409.08	204,479.55	143.34
Balance, December 31, 2008:							
Interfunds Receivable	A	\$ 5,472.00	\$	13.05	\$	\$	605.10
Interfunds Payable	A	29,034.16	29,034.16		4,853.85		

"A-25"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

REF.

Balance, December 31, 2007	A	\$	16,746.02
Decreased by:			
Transferred to Grants Appropriated	A-22	\$	<u>16,746.02</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

	REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
Balance, December 31, 2007	B	\$ 120,253.52	\$ 0.00	\$ 3,656,394.55
Increased by Receipts:				
Assessment Receivable	B-3: B-8	\$ 145,499.75		
Due Current Fund	B-4: B-8: B-18	163,310.86		\$ 9,409.08
Due State of New Jersey - Dog Licenses	B-22		451.20	
Animal Control Licenses	B-14		3,530.80	
Reserve For Various Trust Deposits	B-13			78,957.50
Reserve For COAH Deposits	B-12			133,949.30
Reserve For Police Outside Overtime	B-15			414,965.85
Reserve For Open Space Trust Deposits	B-10			408,862.87
Reserve For State Unemployment Insurance	B-11			9,022.32
Reserve For Recreation Deposits	B-19			40,542.86
Reserve For Law Enforcement Trust Fund	B-20			339.91
Reserve For Developers Deposits	B-21			223,278.74
Reserve For Redemption Of Outside Liens	B-23			37,527.59
		308,810.61	3,982.00	1,356,856.02
		\$ 429,064.13	\$ 3,982.00	\$ 5,013,250.57
Decreased by Disbursements:				
Due Current Fund	B-4: B-8: B-18	\$ 145,499.75		\$ 1,576.71
Assessment Serial Bonds	B-8: B-16	136,000.00		
Assessment Loans - Trust Loan	B-8: B-24	20,000.00		
Assessment Loans - Fund Loan	B-8: B-25	23,524.59		
Due State of New Jersey - Dog Licenses	B-22		446.40	
Reserve For Animal Control Expenditures	B-14		3,142.89	
Reserve For Various Trust Deposits	B-13			88,914.23
Reserve For COAH Deposits	B-12			27,933.00
Reserve For Police Outside Overtime	B-15			402,300.93
Reserve For Open Space Trust Deposits	B-10			67.50
Reserve For State Unemployment Insurance	B-11			650.75
Reserve For Recreation Deposits	B-19			29,797.38
Reserve For Law Enforcement Trust Fund	B-20			377.00
Reserve For Developers Deposits	B-21			304,705.10
Reserve For Redemption Of Outside Liens	B-23			37,527.59
		325,024.34	3,589.29	893,850.19
Balance, December 31, 2008	B	\$ 104,039.79	\$ 392.71	\$ 4,119,400.38

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF CONFIRMATION</u>	<u>ANNUAL INSTALLMENTS</u>	<u>DUE DATES</u>	<u>BALANCE DECEMBER 31, 2007</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2008</u>	<u>BALANCE PLEGDED TO BONDS AND LOANS</u>
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06 - 11	\$ 180,303.48	\$ 54,047.65	\$ 126,255.83	\$ 126,255.83
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/8/01	10	11/8/06 - 11	42,777.14		42,777.14	42,777.14
99-12,99-13,99-14	Installation of Sanitary Sewer and Public Water	9/14/06	20	11/14-07-26	834,185.76	90,650.83	743,534.93	743,534.93
99-16	Brook Drive & Will Lane Roadway Improvements	6/28/07	10	7/1/07 - 16	7,211.31	801.27	6,410.04	6,410.04
					<u>\$ 1,064,477.69</u>	<u>\$ 145,499.75</u>	<u>\$ 918,977.94</u>	<u>\$ 918,977.94</u>

REF.

B

B-2

B



"B-4"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

ASSESSMENT TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2007 (Due From)	B	\$ 46,845.27
Increased by:		
Receipts	B-2	163,310.86
		\$ <u>116,465.59</u>
Decreased by:		
Disbursements	B-2	145,499.75
Balance, December 31, 2008 (Due From)	B	\$ <u><u>29,034.16</u></u>

"B-5"

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED  
ASSESSMENT TRUST FUND

<u>ORDINANCE</u> <u>NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2007 and 2008</u>
96-16	Improvements to Will Lane & Brook Drive	\$ <u><u>50,931.02</u></u>
	<u>REF.</u>	B

"B-6"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF AMOUNT TO BE RAISED BY TAXATION  
ASSESSMENT TRUST FUND

		BALANCE DECEMBER 31, 2008	ANALYSIS OF BALANCE ASSESSMENTS CANCELLED
ORDINANCE DATE	IMPROVEMENT DESCRIPTION		
12/22/88	Improvement to Sewer System - Nottingham Drive	\$ 3,990.00	\$ 3,990.00
		\$ 3,990.00	\$ 3,990.00
		B	

REF.

"B-7"

SCHEDULE OF DUE CURRENT FUND  
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2007  
and December 31, 2008 (Due To)

B

\$ 13.05

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

FOR THE YEAR ENDED DECEMBER 31, 2008

ASSESSMENT TRUST FUND

		<u>BALANCE DECEMBER 31, 2007</u>	<u>ASSESSMENTS RECEIVABLE</u>	<u>DISBURSEMENTS</u>	<u>BALANCE DECEMBER 31, 2008</u>
Fund Balance		\$ 92,604.66	\$	\$ 92,604.66	\$
Due Current Fund		(46,845.27)	163,310.86	145,499.75	(29,034.16)
Assessment Serial Bonds:					
<u>Ordinance Date</u>					
10/12/95	Curbing on Sherwood Drive, Friar Land and Elsmore Drive	20,796.00		20,796.00	
3/13/97	Redmont Road	(14,673.16)		11,376.10	(26,049.26)
5/9/96	Valley Drive & Brook Drive	(96,736.57)	54,047.65		(42,688.92)
7/18/96	Will Lane & Brook Drive	10,421.97	801.27	11,223.24	
Assessment Loans:					
<u>Ordinance Number</u>					
99-12, 99-13 & 99-14	Sanitary Sewers - Cardinal Drive	154,685.89	90,650.83	43,524.59	201,812.13
		\$ 120,253.52	\$ 308,810.61	\$ 325,024.34	\$ 104,039.79

REF:

B

B-2

B-2

B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

REF.

Balance, December 31, 2007	B		\$	9,078.50
Increased by:				
COAH	B-12	\$	16,070.00	
Open Space Deposits	B-10		240.00	
Various Trust Deposits	B-13		995.00	
				<u>17,305.00</u>
			\$	26,383.50
Decreased by:				
COAH	B-12		8,838.50	
Open Space Deposits	B-10		240.00	
				<u>9,078.50</u>
Balance, December 31, 2008	B		\$	<u>17,305.00</u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2007	B		\$	1,702,844.41
Increased by:				
Open Space Taxes	B-2	\$	365,196.97	
Interest Earned	B-2		43,665.90	
Transfer from Accounts Payable	B-9		240.00	
				<u>409,102.87</u>
			\$	2,111,947.28
Decreased by:				
Disbursements	B-2	\$	67.50	
Accounts Payable	B-9		240.00	
				<u>307.50</u>
Balance, December 31, 2008	B		\$	<u>2,111,639.78</u>

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR STATE UNEMPLOYMENT  
COMPENSATION INSURANCE (N.J.S. 43:31-3 ET. SEQ.)

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2007	B		\$ 142,946.09
Increased by:			
SUI Deposits		\$ 5,951.94	
SUI Interest		<u>3,070.38</u>	
	B-2		<u>9,022.32</u>
			\$ 151,968.41
Decreased by:			
Disbursements	B-2		<u>650.75</u>
Balance, December 31, 2008	B		\$ <u>151,317.66</u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS  
OTHER TRUST FUND

Balance, December 31, 2007	B		\$ 401,677.50
Increased by:			
Receipts	B-2	\$ 133,949.30	
Transfer Prior Year Accounts Payable	B-9	<u>8,838.50</u>	
			<u>142,787.80</u>
			\$ 544,465.30
Decreased by:			
Disbursements	B-2	\$ 27,933.00	
Accounts Payable	B-9	<u>16,070.00</u>	
			<u>44,003.00</u>
Balance, December 31, 2008	B		\$ <u>500,462.30</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2007	INCREASED	DECREASED	BALANCE DECEMBER 31, 2008
Bequests & Gifts	\$ 6,249.22	\$ 1,700.00	\$ 995.00	\$ 6,954.22
Imp. to Borough Property - Donation	16,528.83	3,756.00	88.00	20,196.83
Historic Commission Books	3,769.20	162.00		3,931.20
Tax Premiums	56,700.00	44,200.00		100,900.00
POAA	887.95	16.00		903.95
Due State of NJ - Marriage Licenses	50.00	675.00	650.00	75.00
Fire Safety Penalties	32,668.65	5,750.00		38,418.65
Fire Department Penalties	7,344.92	250.00		7,594.92
Public Defender	35,677.95	10,832.50	12,834.00	33,676.45
Sidewalk Fund	41,992.30	11,616.00	53,608.30	
Accumulated Sick and Vacation	111,216.18		21,733.93	89,482.25
	<u>\$ 313,085.20</u>	<u>\$ 78,957.50</u>	<u>\$ 89,909.23</u>	<u>\$ 302,133.47</u>

REF.

B

B-2

B

Disbursements  
Accounts Payable

B-2  
B-9

\$ 88,914.23  
995.00  
\$ 89,909.23

A detailed analysis of Miscellaneous Trust Deposits is on file in the Treasurer's Office.

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2007 (Deficit)	B	\$	(13.05)
Increased by:			
Dog License Fees		\$	3,421.80
Cat License Fees			109.00
	B-2		<u>3,530.80</u>
		\$	<u>3,517.75</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>3,142.89</u>
Balance, December 31, 2008	B	\$	<u><u>374.86</u></u>

<u>LICENSE FEES COLLECTED</u>	
<u>YEAR</u>	<u>AMOUNT</u>
2007	\$ 2,458.20
2006	<u>2,136.20</u>
	<u><u>\$ 4,594.40</u></u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME  
OTHER TRUST FUND

Balance, December 31, 2007	B	\$	21,003.53
Increased by:			
Receipts	B-2		<u>414,965.85</u>
		\$	<u>435,969.38</u>
Decreased by:			
Disbursements	B-2		<u>402,300.93</u>
Balance, December 31, 2008	B	\$	<u><u>33,668.45</u></u>

BOROUGH OF WATCHUNG

**TRUST FUND**

**SCHEDULE OF ASSESSMENT SERIAL BONDS  
ASSESSMENT TRUST FUND**

[illegible]



"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CAPITAL FUND - ASSESSMENT TRUST FUND

REF.

Balance, December 31, 2007 and December 31, 2008 (Due To)	B	\$ <u>367,611.97</u>
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"B-18"

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2007 (Due From)	B	\$ 2,978.52
Increased by:		
Disbursements	B-2	<u>1,576.71</u>
		\$ <u>4,555.23</u>
Decreased by:		
Receipts	B-2	<u>9,409.08</u>
Balance, December 31, 2008 (Due To)	B	\$ <u>4,853.85</u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS  
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2007	B	\$ 44,424.32
Increased by:		
Receipts	B-2	<u>40,542.86</u>
		\$ 84,967.18
Decreased by:		
Disbursements	B-2	<u>29,797.38</u>
Balance, December 31, 2008	B	<u><u>\$ 55,169.80</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND  
OTHER TRUST FUND

Balance, December 31, 2007	B	\$ 2,555.14
Increased by:		
Receipts	B-2	<u>339.91</u>
		\$ 2,895.05
Decreased by:		
Disbursements	B-2	<u>377.00</u>
Balance, December 31, 2008	B	<u><u>\$ 2,518.05</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS  
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2007	B	\$ 1,021,758.38
Increased by:		
Receipts	B-2	<u>223,278.74</u>
		\$ 1,245,037.12
Decreased by:		
Disbursements	B-2	<u>304,705.10</u>
Balance, December 31, 2008	B	\$ <u><u>940,332.02</u></u>

"B-22"

SCHEDULE OF DUE STATE OF NEW JERSEY- DOG LICENSES  
ANIMAL CONTROL TRUST FUND

Increased by:		
Receipts	B-2	\$ 451.20
Decreased by:		
Disbursements	B-2	<u>446.40</u>
Balance, December 31, 2008	B	\$ <u><u>4.80</u></u>

"B-23"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR REDEMPTION OF OUTSIDE LIENS  
OTHER TRUST FUND

REF.

Increased by:

Receipts

B-2

\$ 37,527.59

Decreased by:

Disbursements

B-2

\$ 37,527.59

"B-24"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2007</u>	<u>PAID IN 2008</u>	<u>BALANCE DECEMBER 31, 2008</u>
			<u>DATE</u>	<u>AMOUNT</u>				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/08-09	\$ 20,000.00	5.00%			
			8/1/10-13	25,000.00	5.00%			
			08/01/14	30,000.00	5.00%			
			8/1/15-16	30,000.00	5.13%			
			08/01/17-18	30,000.00	5.25%			
			8/1/19-20	35,000.00	5.25%	\$ 360,000.00	\$ 20,000.00	\$ 340,000.00
						<u>\$ 360,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 340,000.00</u>
			<u>REF.</u>			B	B-2	B

"B-25"

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>		<u>BALANCE DECEMBER 31, 2007</u>	<u>PAID IN 2008</u>	<u>BALANCE DECEMBER 31, 2008</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/09	\$ 22,911.97			
			08/01/10	25,362.45			
			08/01/11	24,596.67			
			08/01/12	23,830.89			
			08/01/13	23,065.11			
			08/01/14	25,362.44			
			08/01/15	24,443.51			
			08/01/16	2,183.24			
					\$ 195,280.87	\$ 23,524.59	\$ 171,756.28
					<u>\$ 195,280.87</u>	<u>\$ 23,524.59</u>	<u>\$ 171,756.28</u>
			<u>REF.</u>		B	B-2	B

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>			
Balance, December 31, 2007	C		\$	1,972,259.50
Increased by Receipts:				
Deferred Charges To Future Taxation - Unfunded	C-5	\$	271,845.20	
Premium on Sale of Notes	C-1		232,682.73	
Improvement Authorization Refunds	C-10		27,283.84	
Due Current Fund	C-6		204,479.55	
State Aid Receivable	C-16		71,250.00	
Bond Anticipations Note Payable	C-17		4,000,000.00	
Capital Improvement Fund	C-8		150,000.00	
				<u>4,957,541.32</u>
			\$	<u>6,929,800.82</u>
Decreased by Disbursements:				
Contracts Payable	C-7	\$	3,873,028.41	
Bond Anticipation Notes Payable	C-17		1,000,000.00	
				<u>4,873,028.41</u>
Balance, December 31, 2008	C		\$	<u><u>2,056,772.41</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	BALANCE DECEMBER 31, 2008
Fund Balance		\$ 224,143.40
Capital Improvement Fund		61,372.72
Improvement Authorizations-Funded		2,914,824.14
Unfunded Improvements Expended - Listed on "C-5"		(2,117,040.39)
Contracts Payable		629,732.21
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		711,352.30
Reserve for Grant Receivable		200,000.00
Due Assessment Trust Fund		(367,611.97)
State Aid Receivable		<u>(200,000.00)</u>
	C	\$ <u>2,056,772.41</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO  
FUTURE TAXATION FUNDED

Balance, December 31, 2007	C	\$ 21,373,427.53
Decreased by:		
2008 Budget Appropriation to Pay Bonds	C-11	\$ 1,190,000.00
2008 Budget Appropriation to Pay Loan:		
Environmental Infrastructure Trust Loans	C-12	30,000.00
Environmental Infrastructure Fund Loans	C-13	34,980.10
Economic Development Authority	C-14	24,769.62
Green Trust Loan Program	C-15	<u>44,099.81</u>
		<u>1,323,849.53</u>
Balance, December 31, 2008	C	\$ <u>20,049,578.00</u>





"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

REF.

Balance, December 31, 2007 (Due From)	C	\$ 204,479.55
Decreased by:		
Receipts	C-2	\$ <u>204,479.55</u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2007	C	\$ 557,386.78
Increased by:		
Improvement Authorizations	C-10	<u>3,945,373.84</u>
		\$ <u>4,502,760.62</u>
Decreased by:		
Disbursements	C-2	<u>3,873,028.41</u>
Balance, December 31, 2008	C	\$ <u>629,732.21</u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2007	C	\$ 77,822.72
Increased by:		
2008 Budget Appropriation	C-2	150,000.00
		<u>\$ 227,822.72</u>
Decreased by:		
Appropriated to Finance Improvement		
Authorizations	C-10	166,450.00
		<u>166,450.00</u>
Balance, December 31, 2008	C	<u><u>\$ 61,372.72</u></u>

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance , December 31,2007 and December 31, 2008 (Due From)	C	<u><u>\$ 367,611.97</u></u>
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BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2007		2008 AUTHORIZATIONS	REFUNDS	CONTRACTS PAYABLE	BALANCE DECEMBER 31, 2008		
				FUNDED	UNFUNDED				FUNDED	UNFUNDED	
General Improvements:											
91-18	Rehabilitation of 9 Dwellings Pursuant to the Watchung Borough Rehabilitation Program	07/18/91	\$ 95,000.00	\$ 40,994.13	\$	\$	\$	\$	40,994.13	\$	
96-16	Construction of Improvements to Will Ln, Brook Dr. Reconstruction of Johnson Drive (Section 1)	07/18/96	93,000.00	49,568.90					49,568.90		
97-17	Acquisition of Equipment and Capital Improvements	12/18/97	300,000.00								
98-08	Rehabilitation of Dwellings Pursuant to COAH Plan	03/28/98	44,000.00	270.50					270.50		
98-23	Installation of Sanitary Sewer and Public Water	09/24/98	90,000.00	90,000.00					90,000.00		
99-12, 04-02 & 04-22	Connections along Century Ln, Cardinal Dr., Price Dr, Old Somerset Rd. & Valley Rd.	09/09/99	1,500,000.00	192,350.40	39,706.01			11,780.00	180,570.40	39,706.01	
99-14, 02-05 & 04-06	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Roads	09/09/99	825,000.00	283,229.75	32,445.22			716.98	285,417.09	29,540.90	
01-08	Acquisition of Equipment of Various Public Works Improvements	04/26/01	178,476.00	17,257.92				5,142.33	12,115.59		
01-10 & 02-29	Various 2001 Capital Improvements	04/26/01	5,329,750.00	2,050,568.61			2,300.00	496,039.16	1,556,628.45		
03-01	Purchase of Front End Loader	03/13/03	105,000.00	7,552.96					7,552.96		
03-03 & 06-27	Various Road Sanitary Sewer Improvement Project	03/27/03	1,264,550.00		119,114.41			16,868.93		102,445.48	
03-04, 06-03, & 06-04	Various Road Water Improvement Project										
03-12	Remediation of Underground Storage Tanks	03/27/03	602,700.00		18,117.24		12,182.82	2,792.50		27,507.56	
03-12	Acquisition of Fire, OEM, & Construction Equipment	06/26/03	40,000.00	1,500.00				1,500.00			
04-04	Acquisition of Police, Recreation, Fire, & Rescue Equip.	05/27/04	38,000.00	20,657.00				19,292.63	1,364.37		
04-08	Acquisition of Police, Recreation, Fire, & Rescue Equip.	07/15/04	98,793.00	20,710.30			9,980.00	20,710.30	9,980.00		
04-10	Various Public Improvements	08/12/04	878,500.00	144,465.94				38,084.39	106,381.55		
05-06	Various Communications Equipment	06/23/05	225,000.00	4,498.66				4,498.66			
05-07	Various Public Works Improvements	06/23/05	1,471,000.00	126,656.46				942.50	125,713.96	5,030.39	
05-10	Acquisition of Real Property for Open Space	07/21/05	8,400,000.00		8,260.38			3,229.99			
05-11	Equipment-Court, Rescue Squad, & Police	09/09/05	42,000.00	1,271.74				1,271.00	0.74		
05-13	Acquisition of Fire Truck	09/22/05	50,000.00	50,000.00				4,323.40	59,301.83		
06-16	Various Equipment & Improvements	06/22/06	116,500.00	63,573.03			52.20	8,802.35	11,035.15		
06-17	Various improvements	06/22/06	1,183,000.00	19,557.50			280.00		40,000.00		
06-24	Spartford Park improvements	09/20/06	40,000.00	40,000.00							
06-25	Improvements to Stirling Road Crosswalks	09/20/06	85,000.00				2,488.82	1,568,623.02	757,122.23		
06-26/07-24	Various Public Improvements	09/20/06	1,385,000.00	1,215,830.43	1,097,426.00			1,223,571.25	66,625.68		
06-29	Skyline & Johnston Sewer Improvements	09/20/06	1,600,000.00	99,572.11	1,290,196.93						
07-03	Police Facility Rock Slope Retention Remediation	02/22/07	450,000.00		500.00			350.00	2,567.86		
07-11	Purchase of Public Works Truck	06/28/07	60,000.00		2,917.89			65,592.74			
07-16	Various Equipment & Improvements	08/16/07	133,000.00	108,180.79				7,158.00	692.00		
07-18	Acquisition of Extrication Equipment	09/13/07	7,850.00	7,850.00							
07-19	Various Road and Drainage Improvements	09/13/07	550,000.00		4,071.87			4,071.87			
08-02	Belgian Block Curbing - Beechwood Place	02/28/08	34,000.00					34,000.00			
08-05	Valley Road Sewer Extension Project	03/27/08	240,000.00					47,203.80			
08-16	Road Improvement Program	07/24/08	650,000.00					9,500.00			
08-18	Acquisition of Fire and Recreation Equipment	08/14/08	75,500.00						66,000.00	192,795.20	
08-19	Purchase of Public Works Equipment	08/14/08	35,000.00							493,434.49	
08-23	Acquisition of Police Department Equipment	12/01/08	36,000.00					25,947.22	1,750.00	33,250.00	
08-24	Reconstruction of Stani Glen & Anderson Roads	12/01/08	85,000.00						10,052.78		
				\$ 4,656,117.13	\$ 2,612,755.95	\$ 2,125,500.00	\$ 27,283.84	\$ 3,945,373.84	\$ 2,914,824.14	\$ 2,561,458.94	
				REF.	C	C	C-2	C-7	C	C-C-5	
Bonds & Notes						\$ 1,916,550.00					
Fund Balance						42,500.00					
Capital Improvement Fund						166,450.00					
						\$ 2,125,500.00					



BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2008		INTEREST RATE	BALANCE DECEMBER 31, 2007	PAID IN 2008	BALANCE DECEMBER 31, 2008
			DATE	AMOUNT				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/08-11	\$ 20,000.00	5.00%	\$ 350,000.00	\$ 20,000.00	\$ 330,000.00
			08/01/12-14	25,000.00	5.00%			
			08/01/15	25,000.00	5.13%			
			08/01/16	30,000.00	5.13%			
			08/01/17	30,000.00	5.25%			
			08/01/18-19	35,000.00	5.25%			
08/01/20	40,000.00	5.25%						
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/08-13	10,000.00	5.00%	180,000.00	10,000.00	170,000.00
			08/01/14-21	15,000.00	5.00%			
						\$ 530,000.00	\$ 30,000.00	500,000.00
						C	C-4	C
					REF.			

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY FUND LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOANS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>		<u>BALANCE DECEMBER 31, 2007</u>	<u>PAID IN 2008</u>	<u>BALANCE DECEMBER 31, 2008</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/09	22,436.69			
			08/01/10	21,828.96			
			08/01/11	21,221.22			
			08/01/12	23,652.16			
			08/01/13	22,892.49			
			08/01/14	22,132.82			
			08/01/15	21,373.16			
			08/01/16	8,627.95	\$ 187,209.87	\$ 23,044.42	\$ 164,165.45
NJ Environmental Infrastructure Trust 2001B	11/08/01	226,237.00	08/01/09	11,617.40			
			08/01/10	11,299.11			
			08/01/11	10,980.82			
			08/01/12	10,662.54			
			08/01/13	10,344.26			
			08/01/14	13,129.25			
			08/01/15	12,651.82			
			08/01/16	12,174.39			
			08/01/17	11,696.96			
			08/01/18	11,219.54			
			08/01/19	10,742.11			
			08/01/20	10,264.68			
			08/01/21	9,787.44			
					158,506.00	11,935.68	146,570.32
					<u>\$ 345,715.87</u>	<u>\$ 34,980.10</u>	<u>\$ 310,735.77</u>
					C	C-4	C
					REF.		

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY LOAN PAYABLE - ECONOMIC DEVELOPMENT AUTHORITY

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2008</u>		<u>BALANCE DECEMBER 31, 2007</u>	<u>PAID IN 2008</u>	<u>BALANCE DECEMBER 31, 2008</u>	
		<u>DATE</u>	<u>AMOUNT</u>				
New Public Works Facility	\$ 143,275.00	08/01/09	\$ 11,939.62				
		08/01/10	11,939.62				
		08/01/11	11,939.62				
		08/01/12	11,939.62				
		08/01/13	11,939.62	\$ 71,637.67	\$ 11,939.62	\$ 59,698.05	
Underground Storage Tanks	102,640.00	08/01/09	12,830.00	25,660.00	12,830.00	12,830.00	
				\$ 97,297.67	\$ 24,769.62	\$ 72,528.05	
		<u>REF.</u>		<u>C</u>	<u>C-4</u>	<u>C</u>	





BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE AID RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2007	C	\$ 71,250.00
Increased by:		
Grant Receivable	C-18	200,000.00
		<u>\$ 271,250.00</u>
Decreased by:		
Receipts	C-2	<u>71,250.00</u>
Balance, December 31, 2008	C	<u><u>\$ 200,000.00</u></u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORDINANCE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2007</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2008</u>
Various Public Improvements	3/2/06	8/17/07	8/15/08	4.00%	\$ 1,000,000.00	\$	1,000,000.00	\$
Various Public Improvements	8/15/08	8/15/08	3/2/09	2.50%		4,000,000.00		4,000,000.00
					<u>\$ 1,000,000.00</u>	<u>\$ 4,000,000.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 4,000,000.00</u>
		<u>REF.</u>	<u>C</u>		<u>C-2</u>	<u>C-2</u>		<u>C:C5</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GRANT RECEIVABLE

REF.

Decreased by:		
Grant Receivable	C-16	\$ <u>200,000.00</u>
Balance, December 31, 2008 (Due From)	C	\$ <u><u>200,000.00</u></u>

"C-19"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2008</u>
99-12/04-02	Installation of Sanitary Sewer and Public Water Connections Along Century Ln, Cardinal Dr, Price Dr, Somerset Rd & Valley Rd	\$ 39,706.01
99-14/02-05/04-06	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Rds	29,540.90
03-03/06-27	Various Road Sanitary Sewer Improvement Project	673,859.12
03-04/06-03/06-04	Various Road Water Improvement Project	667,565.00
06-26/07-24	Various Public Improvements	97,426.00
06-29	Skyline & Johnston Sewer Improvements	20,000.00
07-19	Various Road and Drainage Improvements	522,500.00
08-02	Belgian Block Curbing - Beechwood Place	32,300.00
08-05	Valley Road Sewer Extension Project	228,000.00
08-16	Road Improvement Program	809,000.00
08-19	Purchase of Public Works Equipment	33,250.00
08-24	Reconstruction of Stani Glen & Anderson Roads	814,000.00
		<u>\$ 3,967,147.03</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2007	E	\$ 8,652.54	\$ 11,246.78	\$ 19,899.32
Increased by Receipts:				
Interest Earned		89.75		89.75
		\$ 8,742.29	\$ 11,246.78	\$ 19,989.07
Decreased by Disbursements:				
Reserve For:				
Maintenance Payments			2,100.00	2,100.00
Other		1,750.00		1,750.00
Reimbursement to State			5,000.00	5,000.00
Balance, December 31, 2008	E	\$ <u>6,992.29</u>	\$ <u>4,146.78</u>	\$ <u>11,139.07</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND  
RECONCILIATION PER N.J.S.A.40A:5-5

	<u>REF.</u>	
Balance, December 31, 2008	E-3	\$ 11,139.07
Increased by:		
Receipts		7.34
		\$ 11,146.41
Decreased by:		
Disbursements		210.00
Balance, January 31, 2009		\$ <u>10,936.41</u>

<u>RECONCILIATION - JANUARY 31, 2009</u>	<u>P.A.T.F. I ACCOUNT</u>	<u>P.A.T.F. II ACCOUNT</u>	<u>TOTAL</u>
Balance on Deposit Per Statement of Commerce Bank:			
Account #0011175	\$ 2,396.72	\$	\$ 2,396.72
Bank of America			
Account #0036-214279		3,936.78	3,936.78
Account #0036-521341	<u>4,602.91</u>	<u>3,936.78</u>	<u>4,602.91</u>
Balance, January 31, 2009	\$ <u>6,999.63</u>	\$ <u>3,936.78</u>	\$ <u>10,936.41</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND  
RECONCILIATION AS OF DECEMBER 31, 2008

REF.

Balance, December 31, 2007		\$	19,899.32
Increased by:			
Receipts			89.75
		\$	<u>19,989.07</u>
Decreased by:			
Disbursements			8,850.00
Balance, December 31, 2008	E-2	\$	<u><u>11,139.07</u></u>

RECONCILIATION - DECEMBER 31, 2008

Balance on Deposit Per Statement of

Commerce Bank:

Account #0011175

	<u>P.A.T.F. I</u>		<u>P.A.T.F. II</u>		<u>TOTAL</u>
	<u>ACCOUNT</u>		<u>ACCOUNT</u>		
\$	2,396.72	\$		\$	2,396.72

Bank of America:

Account #0036-214279

4,146.78

4,146.78

Account #0036-521341

4,595.57

4,595.57

Balance, December 31, 2008

\$	<u>6,992.29</u>	\$	<u>4,146.78</u>	\$	<u><u>11,139.07</u></u>
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"E-4"

BOROUGH OF WATCHUNG  
PUBLIC ASSISTANCE TRUST FUND  
SCHEDULE OF PUBLIC ASSISTANCE REVENUES  
YEAR ENDED DECEMBER 31, 2008

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
Interest Earned	\$ <u>89.75</u>	\$ <u>          </u>	\$ <u>89.75</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES  
YEAR ENDED DECEMBER 31, 2008

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
Current Year Assistance (Reported):			
Maintenance Payments	\$ 1,750.00	\$ 2,100.00	\$ 2,100.00
Other			1,750.00
Reimbursement to State		5,000.00	5,000.00
<u>TOTAL DISBURSEMENTS</u>	\$ <u>1,750.00</u>	\$ <u>7,100.00</u>	\$ <u>8,850.00</u>



BOROUGH OF WATCHUNG

PART II

REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHEDULES OF EXPENDITURES  
OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF  
EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
County of Somerset  
Watchung, New Jersey 07069

We have audited the accompanying financial statements - statutory basis of the Borough of Watchung, County of Somerset, New Jersey as of and for the year ended December 31, 2008, and have issued our report thereon dated March 6, 2009. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Watchung prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Watchung's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Watchung's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Watchung's internal control over financial reporting.

## SUPLEE, CLOONEY & COMPANY

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the statutory basis of accounting prescribed by the Division of Local Government Services, Department of Local Government Services, Department of Community Affairs, State of New Jersey such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Watchung's financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of noncompliance which are discussed in Part III, General Comments and Recommendations Section of this report.

This report is intended solely for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

March 6, 2009

## BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2008

FEDERAL C.F.D.A. NUMBER	FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	GRANT AWARD AMOUNT	GRANT PERIOD		2008 RECEIPTS	2008 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2008
			FROM	TO			
97.044	U.S. Department of Homeland Security Assistance to Firefighters Grant	\$ 48,070.00		Continuous	\$ 44,913.00	\$ 46,370.40	\$ 46,370.40
	Pass Through From State of New Jersey						
	U.S. Department of Justice						
16.607	Federal Bulletproof Partnership Program - Prior	3,145.21		Continuous		721.40	1,596.46
16.607	Federal Bulletproof Partnership Program - 2008	295.69		Continuous	295.69		1,813.92
83.562	State and Local All Hazards Emergency Operation Planning	2,405.72					
	TOTAL				\$ 45,208.69	\$ 47,091.80	\$ 49,780.78

## BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2008

STATE GRANTOR DEPARTMENT/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT AWARD AMOUNT	2008 RECEIPTS	2008 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2008
<u>DEPARTMENT OF HUMAN SERVICES</u>					
Public Assistance-State Share	7550-150-054-7550-121-LLL-8020	\$ 2,100.00	\$	2,100.00	\$ 2,100.00
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - Prior	1110-100-066-1110-YYYY	6,989.89	\$		
Drunk Driving Enforcement Fund - 2008	1110-100-066-1110-YYYY	2,621.16		1,013.89	\$ 1,050.73
Alcohol Education Rehabilitation Fund - Prior	9735-760-098-Y900-001-X100-6020	1,089.23			
Alcohol Education Rehabilitation Fund - 2008	9735-760-098-Y900-001-X100-6020	963.82	963.82		
		\$	\$	1,013.89	\$ 1,050.73
<u>NJ DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - Prior	1020-100-066-1020-232-YCJS-6120	120,000.00	\$		
Body Armor Replacement Fund - Prior	1020-718-066-1020-001-YCJS-6120	7,700.54	30,000.00	1,250.00	\$ 120,000.00
Body Armor Replacement Fund - 2008	1020-718-066-1020-001-YCJS-6120	3,002.56		721.40	1,879.27
Body Armor Replacement Fund - Unappropriated	1020-718-066-1020-001-YCJS-6120	2,817.94	2,817.94		
		\$	\$	1,971.40	\$ 121,879.27
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - Prior	4900-765-042-4900-004-V42Y-6020	8,405.03	\$		
Clean Communities Grant - 2008	4900-765-042-4900-004-V42Y-6020	8,995.04	8,995.04	1,405.03	\$ 8,405.03
Green Communities - Prior	4870-100-042-4870-074-V42F-6120	2,000.00		7,700.07	7,700.07
Recycling Tonnage Grant - Prior	4900-752-042-4900-001-V42Y-6020	7,214.89			
Recycling Tonnage Grant - 2008	4900-752-042-4900-001-V42Y-6020	10,570.51	7,781.73		279.20
Municipal Stormwater Regulation	WQ05-517	16,936.00		2,949.99	7,043.74
		\$	\$	12,055.09	\$ 23,428.04
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Smart Growth Planning - 2008	100-022-8070-039-999000	5,000.00	\$	\$	
Special Legislative - Prior	02-100-022-8030-394-FFFF-6120	10,000.00			3,625.00
			0.00	0.00	3,625.00
<b>TOTAL</b>		\$	\$ 50,558.53	\$ 17,140.38	\$ 152,063.04

BOROUGH OF WATCHUNG

NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2008

NOTE 1. GENERAL

The accompanying schedules of expenditures of financial assistance present the activity of all federal and state financial assistance programs of the Borough of Watchung, County of Somerset, New Jersey. All federal and state financial assistance received directly from federal or state agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than U.S. generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - statutory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules of expenditures agree with the amounts reported in the related federal and state financial report.

#### NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - STATUTORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's statutory basis financial statements. These amounts are reported in either the Current Fund, General Capital Fund or Public Assistance Trust Fund Fund.

##### Receipts:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ <u>45,208.69</u>	\$ <u>50,558.53</u>	\$ <u>15,000.00</u>	\$ <u>110,767.22</u>
	\$ <u><u>45,208.69</u></u>	\$ <u><u>50,558.53</u></u>	\$ <u><u>15,000.00</u></u>	\$ <u><u>110,767.22</u></u>

##### Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ <u>47,091.80</u>	\$ <u>15,040.38</u>	\$ <u>242,095.82</u>	\$ <u>304,228.00</u>
Public Assistance Trust Fund	<u>                    </u>	<u>2,100.00</u>	<u>                    </u>	<u>2,100.00</u>
	\$ <u><u>47,091.80</u></u>	\$ <u><u>17,140.38</u></u>	\$ <u><u>242,095.82</u></u>	\$ <u><u>306,328.00</u></u>

#### NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedules.

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PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATION

YEAR ENDED DECEMBER 31, 2008

COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - CURRENT FUND

	YEAR 2008		YEAR 2007	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 2,250,000.00	6.08%	\$ 2,000,000.00	5.53%
Miscellaneous - From Other Than				
Local Property Tax Levies	4,093,089.28	11.07%	4,328,442.67	11.98%
Collection of Delinquent Taxes				
and Tax Title Liens	289,410.02	0.78%	121,072.70	0.33%
Interfunds Returned			91,953.51	0.25%
Collections of Current Tax Levy	30,353,849.30	82.07%	29,621,307.74	81.91%
<u>Total Revenue</u>	<u>\$ 36,986,348.60</u>	<u>100.00%</u>	<u>\$ 36,162,776.62</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 12,364,958.84	34.69%	\$ 11,631,917.77	33.62%
County Taxes	6,655,249.49	18.67%	6,982,802.61	20.18%
Local and Regional School Taxes	16,237,196.78	45.55%	15,610,109.58	45.12%
Municipal Open Space Taxes	365,196.97	1.03%	372,094.19	1.07%
Refund of Prior Year Revenue	17,562.68	0.05%	2,883.44	0.01%
Interfunds Advanced	4,997.19	0.01%		
<u>Total Expenditures</u>	<u>\$ 35,645,161.95</u>	<u>100.00%</u>	<u>\$ 34,599,807.59</u>	<u>100.00%</u>
Excess in Revenue	\$ 1,341,186.65		\$ 1,562,969.03	
Fund Balance, January 1	4,196,822.67		4,633,853.64	
	<u>\$ 5,538,009.32</u>		<u>\$ 6,196,822.67</u>	
Less: Utilization as Anticipated Revenue	2,250,000.00		2,000,000.00	
Fund Balance, December 31	<u>\$ 3,288,009.32</u>		<u>\$ 4,196,822.67</u>	

# COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Rate	\$ <u>1.680</u>	\$ <u>1.610</u>	\$ <u>1.630</u>
Municipal	\$ 0.401	\$ 0.367	\$ 0.358
Municipal Open Space	0.020	0.020	0.021
County (including Library)	0.333	0.343	0.348
County Open Space	0.033	0.034	0.032
Local School	0.590	0.542	0.569
Regional High School	<u>0.303</u>	<u>0.304</u>	<u>0.302</u>

## Assessed Valuations:

2008	<u>\$1,818,101,284.00</u>	
2007		<u>\$1,846,325,175.00</u>
2006		<u>\$1,770,785,333.00</u>

## COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of the tabulation will indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2008	\$30,676,525.97	\$30,353,849.30	98.95%
2007	\$29,953,137.27	\$29,621,307.74	98.89%
2006	\$29,028,100.31	\$28,870,372.12	99.46%

### DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2008	-0-	\$276,032.89	\$276,032.89	0.90%
2007	-0-	\$291,780.75	\$291,780.75	0.97%
2006	-0-	\$124,575.57	\$124,575.57	0.43%

### COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2008	\$3,288,009.32	*
2007	\$4,196,822.67	\$2,250,000.00
2006	\$4,633,853.64	\$2,000,000.00
2005	\$4,697,508.34	\$2,000,000.00
2004	\$3,198,862.02	\$1,750,000.00
2003	\$3,469,140.38	\$1,738,000.00
2002	\$3,439,103.27	\$1,700,000.00

\* - not known at time of audit

## OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Albert S. Ellis	Mayor	*
Thomas P. Franklin	Council Member, President of Council	*
Stephen L. Black	Council Member	*
Gerald M. Mobus	Council Member	*
Debra Joren	Council Member	*
Stephen Pote	Council Member	*
William Nehls	Council Member	*
Laureen B. Fellin	Clerk, Administrator	*
Michelle DeRocco	Deputy Clerk, Registrar	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent	*
Paula Heilman	Deputy Treasurer, Deputy Purchasing Agent	*
Albert E. Cruz	Attorney	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Catherine L. Park	Tax Collector, Tax Search Officer	*
Edward Kerwin	Tax Assessor	*
Pamela Steves	Court Administrator	*
Lorretta J. Shpunder	Deputy Court Administrator	*
Frank W. Gasiorowski	Municipal Court Judge	*
Sean Whelan	Police Chief	*
Maser Consulting, P.A.	Engineer	
Edward P. Bennett	Construction Code Official	*
Anthony Saccaro	Fire Subcode Official	*
Joseph Nicastro	Plumbing Subcode Official	* *
Martin McMorro	Electrical Subcode Official	*
Gary Greves	Fire Inspector	*
Paulette Drogon	Welfare Director	*
Charles Gunther	Public Works Manager	*

\* All officials and employees handling and collecting Borough funds are covered by the Borough's insurance policy and blanket bond through the Municipal Excess Liability Joint Insurance Fund.

GENERAL COMMENTS AND RECOMMENDATIONS

## GENERAL COMMENTS

### CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c. 198 (C.40A:11-3), except by contract or agreement.

Effective July 1, 2005, the bid threshold in accordance with N.J.S.A. 40A:11-3 was increased to \$21,000.00. By resolution of the governing body, the bid threshold was increased to \$29,000.00. The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$29,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising for the following items:

- Skyline Drive sanitary sewer extension
- Beechwood Place reconstruction/Brookdale Road drainage improvements
- In-car digital recording system
- 2008 miscellaneous curb improvements

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring or any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$29,000.00 for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.



COLLECTION OF INTEREST ON DELINQUENT  
TAXES AND ASSESSMENTS

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 1, 2008 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Watchung, as follows:

1. Taxes shall be collected quarterly on February 1, May 1, August 1 and November 1, 2008.
2. Payment of taxes shall be remitted to the Tax Collector of the Borough of Watchung.
3. Interest shall be charged and calculated at the rate of 8% per annum on first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date of actual payment received.
4. There shall be a 10 day grace period, after which unpaid taxes will be charged interest from the due date.
5. Redemption fee for Tax Sale Certificates to the Municipality as follows:
  - 2% on Certificates \$200.00 to \$4,999.99
  - 4% on Certificates \$5,000.00 to \$9,999.99
  - 6% on Certificates over \$10,000.00
6. Redemption amounts shall be obtained from the Tax Collector. A \$25.00 fee will be charged for each additional request for a redemption calculation.
  - 6a. Duplicate Tax Sale Certificate - \$100.00 fee
  - 6b. In lieu of publication, notice of tax sale to be mailed - \$25.00 fee
7. Bad check fee of \$20.00 shall be charged on all returned checks.
8. The Borough Clerk is hereby directed to publish a copy of this resolution.

## DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on July 18, 2008 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made up of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2008	-0-
2007	-0-
2006	-0-

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

## VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

### TYPE

Payments of 2008 Taxes	50
Payments of 2007 Taxes	20

## OTHER COMMENTS

### Interfund Balances

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

### Purchasing

Our audit disclosed that funds are not always encumbered against amounts appropriated before goods or services are ordered and purchases are made without certification of funds obtained from the chief financial officer.

## RECOMMENDATION

### \*Purchasing

That funds be encumbered against amounts appropriated prior to goods and services being ordered.

\*Unresolved prior year recommendation





